

IS
SERVICE

Austria	Sch 18	Indonesia	Rp 2500	Portugal	Esc 75
Belgium	Bfr 36	Italy	L 1000	S. Korea	Won 900
Canada	Cdn 100	Japan	Yen 100	Singapore	S\$ 1.00
Denmark	Dkr 100	Malaysia	Mal 100	Spain	Pta 100
France	FrF 100	Philippines	PhP 100	Sweden	Skr 100
Germany	DM 100	Sri Lanka	Ls 100	Switzerland	Sfr 100
Greece	Dr 100	Taiwan	Nt 100	Thailand	Thb 100
Hong Kong	HK\$ 100	Turkey	Lira 100	U.S.A.	\$ 1.00
India	Rp 100	U.S.A.	\$ 1.00		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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D 8523 B

Back to square one
in Lebanon,
Survey, Pages 9-14

NEWS SUMMARY

GENERAL

Tehran launches major attack

Heavy fighting raged in the Gulf war for much of yesterday with Iran claiming to have broken through Iraqi defences at the start of what Tehran radio called a "massive offensive."

A big Iranian offensive had been expected for several weeks and followed five days of fierce cross-border fighting.

Iran said it was attacking along a 100-mile front from Mehriz, east of Baghdad, south of Dehloran.

Angola commission

South Africa and Angola have set up a joint commission, which may also involve the U.S., to monitor the ceasefire in the Namibian border war.

Violence in Punjab

A paramilitary soldier was killed and another wounded in a grenade attack by Sikh terrorists in India's troubled Punjab state. Curfews in six cities were extended.

Strikes hit Italy

Italy experienced protest strikes, demonstrations and blocked motorways and railways yesterday as trade unionists protested for the third consecutive day against a government cut in wage indexation.

Castro visits Spain

Cuban leader Fidel Castro, returning from the Moscow funeral of late Soviet Premier Yuri Andropov, turned a technical stopover at Madrid airport into a first visit to a Western European country. He lunched at the official residence of Spanish Prime Minister Felipe Gonzalez, who met him at the airport.

SA election results

South Africa's ruling National Party lost a by-election to the extreme right-wing Conservative Party in Soutpansburg, northern Transvaal, one of the most restive areas in the country. The election was seen as a test of sentiment after recent reforms which gave Indians and people of mixed race limited parliamentary representation.

Nuclear accident

At least 12 were injured, one critically, when the earth collapsed after a nuclear blast at a U.S. underground test site 93 miles north-west of Las Vegas. An Energy Department official said no radiation escaped.

Priest disciplined

Polish primate Cardinal Jozef Glemp moved Solidarity supporter Father Mieczyslaw Nowak, who attacked communist rule from his pulpit, out of his working class Warsaw parish to the country.

Pope's Benelux tour

The Pope will visit Belgium, the Netherlands and Luxembourg in May next year, Belgium's Roman Catholic episcopate announced.

Monkeys relieved

Malaysia, a major supplier of monkeys for scientific research, has banned exports for five years after hearing that they were being used in the U.S. for nuclear and chemical warfare experiments rather than for medical research.

Downhill victories

Bill Johnson of the U.S. and Michele Figini of Switzerland won the men's and women's downhill championships at the winter Olympics.

BUSINESS

Britain to keep lid on spending

BRITISH GOVERNMENT announced public spending plans which showed it is determined to allow almost no increase in real terms in the next three years.

DOLLAR rose in London to DM 2.876 (DM 2.873) and Ffr 8.24 (Ffr 8.23), but slipped to SwFr 2.195 (SwFr 2.2) and Y232.85 (Y232.25). Its trade weighted index fell to 128.4 (128.9). In New York it closed at DM 2.877; Ffr 8.235; SwFr 2.189 and Y233.7.

STERLING rose 25 points in London to close at \$1.445 and to DM 3.87 (DM 3.857) and Ffr 11.905 (Ffr 11.87). It was unchanged at SwFr 3.175 and Y338.75. Its trade-weighted index was 82.1 (81.9). In New York it closed at \$1.447.

GOLD fell 5% to \$384 in London. In Frankfurt it closed at \$384 (\$383.4) and in Zurich at \$384 (\$383.4). In New York the Comex February settlement was \$383.4 (\$381.5). Page 36

WALL STREET: Dow Jones industrial average closed 3.77 down at 1,154.94. Report, Page 29, full share listings, Pages 30-32

LONDON: FT Industrial Ordinary index closed 1.3 up at 817.9 after quiet trading. Report, Page 33, FT Share Information Service, Pages 34-35.

TOKYO: Nikkei Dow index rose 4.99 to 9877.15 and the Stock Exchange index was 121 up at 765.72. Report, Page 29, leading prices, other exchanges, Page 32

BANK LENDING to the private sector in the UK totalled £12.8bn in January, down from £1.75bn in December, but showing some acceleration from levels in the second half of last year. Most demand for credit still appears to be from the personal sector.

U.S. M1 rose \$2.5bn to \$332.9bn in the week ending February 6. The figure reflects new seasonal and benchmark revisions. Release of the data has reverted to Thursdays from Fridays. Men and Matters, Page 18.

DANSKE BANK, Denmark's biggest commercial bank, increased net profits from Dkr 517m (\$51.6m) to Dkr 1.87bn. Page 22

JAPANESE Foreign Ministry said relations with the European Community had been given a new dimension by radical EEC proposals for tackling Japan's swelling balance of payments surplus. Page 20

BRAZIL is preparing a new letter of intent to the International Monetary Fund and a formal request for a "waiver" for its failure to meet certain IMF set targets at the end of last year. Page 4

IVAN HERSTATT, the founder and chairman of the Cologne private bank which collapsed in June 1974, was yesterday convicted of fraud and sentenced to 4½ years in jail. Page 2

DAIMLER-BENZ, the West German motor vehicle maker, confirmed it will report "satisfactory" profits for last year as a result of increased car sales, despite problems in truck markets. Page 22

DOW CHEMICAL, the second biggest U.S. chemicals group, plans to sell a 50 per cent stake in its Dowell midfield services group to Schlumberger, the major U.S. oilfield services and electronics group, for \$440m. Page 22

ALLIANZ Versicherung, West Germany's biggest insurance concern, says it is a long way from a final decision on whether to buy the insurance business of Armco, the diversified U.S. steel and energy group. It puts the odds that a deal with Armco will be reached at about 50-50. Page 21

Gemayel makes concessions in peace bid

BY REGINALD DALE IN WASHINGTON AND PATRICK COCKBURN IN BEIRUT

LEBANESE President Amin Gemayel has signed an eight-point peace plan that would allow him to stay in office in exchange for significant concessions to the Muslim opposition forces that have brought him under increasingly severe military pressure in the past few days, Reagan Administration officials said in Washington yesterday.

The main concession was said to be Mr Gemayel's abandonment of the Lebanese-Israeli force withdrawal agreement of May 17 last year, which has been one of the centrepieces of U.S. policy in the Middle East.

Other provisions of the Saudi-sponsored plan were reported to include new attempts at reconciliation between the country's warring factions; agreement in principle on the simultaneous withdrawal of Syrian and Israeli forces; and the

replacement of the multinational force in Beirut by UN peacekeeping forces within three months.

U.S. officials said the plan had been accepted by Mr Gemayel on Wednesday and was being put yesterday to the Syrian Government for approval. It was believed in Washington that the Muslim factions opposed to Mr Gemayel would agree to the plan if the Syrians accepted it.

The White House said it would make no final judgment on the plan's merits until it had "gone the rounds" in the region. But Mr Larry Speakes, the White House spokesman, said the Administration "had problems" with some of its elements.

Syria and its allies in Lebanon have demanded the complete abandonment of the agreement before they were prepared to negotiate

with Mr Gemayel. After two disastrous weeks, the balance of power in Lebanon has swung against President Gemayel that he appears to have felt that he had no option but to accept the Saudi terms. His concessions may have come too late, however.

Part of the Lebanese army has mutinied; the west of Beirut is in the hands of President Gemayel's opponents; and in the last few days, army units disintegrated as Druze militiamen launched a new offensive.

The Druze yesterday captured the town of Damour, south of Beirut, and were mopping up Lebanese and Christian militia units defeated in the hills skirting the capital.

If the Saudi plan is rejected by Syria and its powerful Muslim allies in Lebanon, President Gemayel

will have to face an escalation in the war. He has been criticised by diplomats for offering concessions too late to conciliate his opponents and after they have already taken by force what they had previously asked for.

In a statement to the UN Security Council, the U.S. affirmed yesterday that it was ready to begin negotiations on the creation of a UN force to replace the U.S., French and Italian troops in Beirut. Britain also supported the proposal.

Mrs Jeane Kirkpatrick, the U.S. ambassador to the UN, said the U.S. would set no preconditions but wished the UN force to be deployed throughout Lebanon.

However, UN officials doubted whether the force could be put together quickly and believed it might be weeks before the French propos-

al won the approval of the Security Council.

David Lennon writes from Tel Aviv: Israeli armoured patrols moved north of the Awali River yesterday to keep a close eye on developments along the coastal highway south of Beirut.

The Israelis are particularly concerned that the Palestinians may try to re-establish themselves in Damour and other villages along the coast from which they were driven in fierce fighting during the Israeli invasion of June 1982.

According to reports reaching Israel, the Palestine Liberation Organisation has already moved into at least two Sunni Muslim villages within five miles of the Awali River.

Israeli officers yesterday warned that they would take whatever action was necessary to prevent the



PLO from setting up new bases in the coastal strip or within the area vacated by Israel last September.

Prof Moise Arens, the Defence Minister, said recently that if the Druze and Shia forces in Lebanon aided the PLO in its fight against Israel, then "Israel will have no choice but to react."

Iran offensive, Page 20; Survey, Pages 9-14

Brussels increases minimum EEC steel prices by 2%

BY PAUL CHEESERIGHT IN BRUSSELS AND IAN RODGER IN LONDON

BASIC STEEL prices in the European Community are set to rise by at least 2 per cent in the second quarter because of improving markets and the unexpected success of the minimum price system introduced by the European Commission at the beginning of the year.

The Commission said yesterday that the mandatory minimum prices on hot-rolled products would go up an average of 2 per cent on April 1.

The minimum for hot-rolled coil, for example, is to go up by about DM 20 per tonne to DM 760 (\$264) per tonne.

Producer prices are likely to rise more significantly in some products and markets.

The British Steel Corporation, for example, said that it expected its prices for hot-rolled products to be, on average, 3 to 5 per cent higher on April 1 than they were on January 1, as a result of reducing discounts and raising list prices.

The Commission also announced higher production quotas for the second quarter because of improving markets, but said that the medium-term demand outlook for EEC steel was worse than previously forecast.

A new study suggests that even after removal of 20.7m tonnes of capacity scheduled for closure by the end of 1985, the Community's steel-makers would be operating at only 70 per cent of capacity in 1988.

Both the Commission and the major steel producers have been surprised by the early success of the mandatory minimum price sys-

EEC PRODUCTION QUOTAS (by quarter, '000 tonnes)			
	3/1983	4/1983	1/1984 2/1984
Ia. Hot-rolled coils	3,881	3,963	3,963 4,223
Ib. Hot, cold-rolled sheet	3,355	3,320	3,320 3,665
Ic. Galvanised sheet	842	848	828 884
Id. Other coated flat products	657	716	697 826
Ie. Reversing mill products	1,118	1,116	1,116 1,202
Ii. Wide beams, sections	1,175	1,230	1,133 1,152
Iv. Wire rods	2,220	2,323	2,399 2,561
V. Reinforcing bars	1,770	1,822	1,761 1,724
Vi. Merchant bars	2,196	2,103	2,174 2,200

tem. It was brought in following the sharp decline of prices last autumn, especially in West Germany.

West German prices, which have a strong influence on all EEC markets, had to rise by 7 to 14 per cent to reach the Commission's minimum levels, but this has largely been achieved. British producers, which enjoy some insulation from continental European price pressures, only had to raise their prices by about 2 per cent to reach the minimum. BSC is believed to have realised prices above the minimum levels for most of the first quarter.

There is considerable confidence that the new minimum prices will hold, although some concern is being expressed in Brussels about the French market, which is not showing many signs of recovery.

Representatives of steel consumers were taken aback by the Commission's move, believing they had an understanding that the minimum prices would be imposed for only a short time and not increased.

Even after the minimum price in-

creases, EEC steel prices will lag behind Japanese and U.S. prices by about 5 and 15 per cent respectively.

BSC said its price increases would exceed 5 per cent in a few products and markets where price erosion had been most severe. These included the stockholder market and some hot strip products. Prices of galvanised sheet would go up more than 3 per cent because of recent rises in zinc prices.

BSC said its prices would still be lower than they were early last year, and it would be looking for further increases later this year. Moreover, costs were still rising more quickly than prices, so the corporation's losses, now running at about £2.5m per week, would not be reduced much by the latest price increases.

Andrew Whitley writes from Rio de Janeiro: High-level talks on limiting Brazil's fast-growing steel exports to the U.S., on the lines of the pact reached last year between the

EEC and the U.S., were due to open in Washington yesterday.

Advance shots from both sides emphasised the wide gap between them on what would constitute a mutually acceptable quota for 1984. On the eve of the negotiations, it was predicted in Rio that they would be "protracted and difficult."

Sr Tarcisio Marciano da Rocha, a senior Finance Ministry official, said Brazil would be seeking a quota of 1.2m tonnes, 25 per cent above the record level of steel exports to the U.S. it achieved last year.

This suggestion was immediately rejected by Mr Diego Acsencio, the U.S. ambassador to Brazil, as unacceptable. Mr Acsencio said that if Brazil were to achieve a quota of between last year's 900,000 tonnes and its sought-for 1.2m tonnes it would have obtained "a very good deal."

U.S. officials had earlier suggested that a top limit of 500,000 tonnes would be more appropriate for 1984. The U.S. is Brazil's leading steel customer and the Brazilians had been hoping to boost earnings in that market from last year's \$420m to \$700m in 1984. Brazil is, in turn, responsible for about 5 per cent of U.S. steel imports.

Cospa, part of the state-owned Siderbras group, has suspended its exports of heavy plate to the U.S. following the imposition of a temporary import deposit of slightly over 100 per cent.

Bid to avert EEC disintegration, Page 4; Spanner in U.S. steel works, Page 21

Renault trucks 'to cut 3,750 jobs'

BY PAUL BETTS IN PARIS

RENAULT Vehicules Industriels (RVI), the large but heavily loss-making subsidiary of the French state-owned Renault car group, wants to cut its workforce of 29,944 by 14 per cent (3,750) to 23,194.

The truck company is due to announce its job reduction proposals next Tuesday during a central works committee meeting in Lyons. The figures were leaked yesterday by the pro-Socialist CFTD labour confederation.

The CFTD was the union which adopted the most militant stance during the recent fierce labour dispute over the job cuts and redundancies at the private Peugeot car group's Talbot plant at Poissy, near Paris.

The RVI job reduction programme is to be announced on the same day as the Renault car division will also address its central works committee on a restructuring programme.

M Bernard Hanon, the Renault chairman, held talks about the company's jobs problem with M Pierre Mauroy, the Socialist Prime Minis-

ter, on Tuesday, but claimed that Renault would not make any redundancies.

The group is understood, however, to be seeking about 10,000 job losses in the car division during the next three years. This division employs about 103,000 people.

Renault is hoping to make these cuts through a combination of early retirement, incentives for immigrant workers to return home and other so-called "soft" options.

The problems at Renault's truck subsidiary appear to be far more pressing for the group, however. The truck division is again expected to put Renault heavily into the red with losses of more than Ffr 1bo (\$122m) in 1983. RVI is estimated to be losing Ffr 200m a month, although the division has recently had an upturn in the U.S. market. Renault now owns 45 per cent of the U.S. Mack Trucks concern.

Renault's planned job cuts come at a delicate time for the French

Continued on Page 20
Honda to study UK plant, Page 8

Insurance men 'paid in secret'

By John Moore, in London

A FORMER main board director of Sedgwick Group, Britain's largest insurance broker, and a former employee received secret payments from an underwriter who is alleged to have misappropriated at least \$57m from more than 1,000 Lloyd's underwriting members.

The two men were named as Mr Michael R. Adams, a director of the group who retired in June 1982, and Mr Geoffrey F. Naude, a broker at Sedgwick who resigned on Wednesday night.

Both men received payments from an offshore settlement called Calfix which was set up to receive money secretly from Lloyd's insurance syndicates under the management of companies controlled by Minet Holdings, another large insurance broker.

Calfix, and a range of settlements, were set up to benefit privately Mr Peter Cameron-Webb, Mr Peter

Continued on Page 20
Minet still missing \$17m, Page 21

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EUROPEAN NEWS

UK hopes road to St George's Hall, Moscow, will bring wider contacts

BY ANTHONY ROBINSON

THE DEATH of Mr Yuri Andropov brought Mrs Margaret Thatcher to Moscow much sooner than she had anticipated. But when the news came she seized the opportunity with the same enthusiasm with which she grasped the hand of the new leader, Mr Konstantin Chernenko, this week in the Kremlin's glittering St George's Hall.

It provided the ideal opportunity to inform the Soviet leaders directly of the essence of one of the most thoroughgoing reviews of British East-West policy ever undertaken.

The decision to undertake the review was initiated by Sir Geoffrey Howe immediately after the Government's return to power last June. Its starting point was recognition of the fundamental difficulties of dealing with a great power founded on military strength and motivated by a revolutionary ideology.

The picture of the Soviet Union which emerged was of a vast country in which economic self-sufficiency went hand in hand with enormous inefficiency, a country with a long tradition of autocratic rule but now suffering from diminishing political appeal—both to its own people and world opinion outside. The problems had

become more intractable with the growth of Soviet military power, given a new postwar dimension by the existence of nuclear weapons.

The review, which covered economic, military, foreign affairs and other aspects, took advice from experts outside government. The basic conclusions, reached in the autumn, were not vitiated either by the Korean aircraft disaster or the Soviet walkout from the intermediate nuclear force (INF) talks in Geneva.

The policy decision to change tack and press for a more constructive relationship with the Soviet Union was taken nearly six months ago and signalled in a series of speeches. Mrs Thatcher's presence in Moscow, however, put the message across directly—not only to the new Soviet leader but also to the Soviet people who had up until now been taught to see her as a virulent, anti-Soviet shrew. She made a great impression on Soviet TV.

The fundamental lines of the new approach reflect, firstly, a desire to cut down the risk of mutual miscomprehension through more direct contacts, at several levels.

The second theme was recognition that arms control talks

Gorbachev emerges as number two in Politburo

MR MIKHAIL GORBACHEV, at 52 the youngest member of the 12-man Soviet Politburo, appears to have won the first round in the manoeuvring for position after the appointment of Mr Konstantin Chernenko as the new Soviet leader, Anthony Robinson writes.

An official report of the proceedings of the central committee plenary meetings on Monday which ratified Mr Chernenko's selection showed that Mr Gorbachev formally closed the meeting "on behalf of the Politburo". The report said Mr

Gorbachev, summing up the proceedings, said "the plenum has passed in an atmosphere of unity and cohesion... questions of the succession of the leadership were solved with a feeling of responsibility toward the party and people."

This emphasis on the unity of the party behind Mr Chernenko appears to be aimed at countering Western reports of a fierce struggle behind the scenes between the old guard and younger members of the Politburo. To underline the point Mr Gorbachev praised "the

unanimous election of comrade Chernenko, and said the plenum gave "full support" to the policy statements contained in Mr Chernenko's acceptance speech.

Soviet Press accounts of the meeting at the time, however, failed to mention Mr Gorbachev's role at the central committee meeting and reported only the speech of proposal by Mr Nikolai Tikhonov, the 78-year-old Prime Minister, and Mr Chernenko's own speech of acceptance. There was no explanation for this discrepancy.

Publication of the official

report strengthens the impression that Mr Gorbachev has emerged as the number two man in the Soviet leadership. The first sign came when he was allotted the honour of flanking Mr Chernenko on the other side of Mr Andropov's coffin during the funeral in Red Square on Tuesday.

Mr Gorbachev, who graduated as a lawyer and then went on to become an agricultural specialist, is the best educated man in the Politburo. Mr Andropov appeared to be grooming him for the eventual succession.

This did not mean ignoring the existence of legitimate Soviet security interests in the region but recognition of the fact that over the longer term countries which see themselves as lying in central rather than Eastern Europe should be encouraged to continue to develop their traditional ties with the Western half of the continent as well as their powerful neighbour to the East.

The review also confirmed that Britain, together with its allies, should continue to insist that Soviet and East European compliance with their treaty obligations to defend and preserve human rights was central to the whole question of trust and co-operation.

If the Soviet Union was ever allowed to treat Helsinki and Madrid as non-events there would be little point of going ahead with negotiations of more direct concern to western security, like arms control talks.

In essence the target of the exercise in deep thinking which preoccupied Whitehall in the second half of last year was how to forge a new relationship, not by Britain alone but by the West as a whole, with a more realistic, both in its analysis of the underlying problems and the estimate of

potential gains, than the now discredited policy of détente.

The need for consistency over a lengthy period of time was recognised to be crucial. "We must avoid euphoria followed by disappointment," as a senior official put it.

"We have to learn to live better with each other, understand each other's legitimate security interests and dispel the Soviet fear that the West only wants to negotiate from a position of strength."

Policy has to be compatible both with the nature of the democratic process in the West and the slow pace of change in the Soviet system.

Put into the more homely image of British domestic policy officials point to the slowness and the difficulties in persuading the British electorate to accept, for example, "the virtues of privatising rubbish collection and returning state enterprise to private hands."

Persuading the Soviet regime to change attitudes and suspicions which in many cases pre-date the revolution will take much longer and face more serious pitfalls. But in a dangerous nuclear world, Whitehall believes, it has to be tried.

UK decides today on emergency session

By Our Brussels Correspondent

THE BRITISH Government will decide today on whether to seek a first-ever emergency session of the European Parliament in a bid to clear away the latest obstacle to the payment to the UK of a £457m budget rebate by the end of next month.

Sir Geoffrey Howe, Britain's Foreign Secretary, is being advised by his top officials to ask for a meeting of Foreign Ministers in Brussels on Monday to lodge a formal request for an emergency session.

This would deliver a formal Parliamentary opinion on the technical regulations governing payment of the rebate to the UK.

Consideration of this unprecedented move is a measure of London's anxiety to avoid having to implement the rebate to withhold part of Britain's monthly contributions to the EEC budget if the rebate is not paid during the current British financial year.

However, the European Parliament is unlikely to agree to a special session. Part of its leadership would like to force the UK into breaching EEC law in the belief that Britain's negotiating position will be weakened.

The Parliament has withheld its opinion on the regulations after disputing their contents.

If the opinion is delayed until its next plenary session on March 12, it will certainly be too late to complete other procedures for transferring the money to London.

Yugoslavia in further talks on IMF credit

By Aleksander Lebl in Belgrade and David Buchanan in London

THE THIRD and possibly final round of negotiations by Yugoslavia for a new International Monetary Fund standby credit, following the Special Drawing Rights (SDR) 1.65bn (£1.3bn) borrowed from the Fund in 1981-83, opened yesterday in Belgrade.

A successful outcome to the past two months of Yugoslav-IMF haggling is vital to rescheduling Yugoslavia's medium- and long-term debt maturities of about \$3bn this year.

Yugoslavia's Western government and commercial bank creditors have agreed in principle to reschedule 1984 debt. But whether they lend fresh money, as they did in 1983, will depend on both the size of a new IMF standby credit and IMF assessment of Yugoslavia's refinancing needs.

The four-man IMF team will be pushing in Belgrade for bank interest rates in the increased from the current ceiling of around 30 per cent to match still-higher inflation, for further devaluation of the dinar and for repeal by the end of March of price controls introduced by the government last December.

These controls have been widely flouted, but even their theoretical imposition runs counter to the IMF emphasis on more price rationality. Yugoslav objections to these demands led to deadlock in two previous negotiating rounds with the Fund. But recent visits by Mr Zvonko Dragani, the Yugoslav Vice-Premier in charge of the economy, to the IMF in Washington and by Mr J. J. Polak, an IMF executive director, to Belgrade are thought to have smoothed the way to eventual agreement this time.

FOREIGN MINISTERS PLAN CRUCIAL TALKS

Bid to avert 'disintegration of EEC'

BY JOHN WYLES IN BRUSSELS

EEC FOREIGN Ministers will hold crucial informal talks this weekend in a climate of deep pessimism about the prospects for averting a political and financial catastrophe, which it is feared, could lead to the disintegration of the Community.

A heavy sense of foreboding is permeating all the EEC institutions and has even begun to infect the French Government which, as President of the Council of Ministers, has devoted the past month to trying to lay the ground for a successful summit negotiation in Brussels in just over four weeks.

Several officials confirm that these efforts have created virtually no momentum at all. Most governments have displayed little readiness to alter their positions on the agricultural and budgetary reform issues on which the Athens summit foundered in December. It is thought essential, therefore, for the Foreign Ministers

to make some progress at their meeting at Celles St Cloud, just outside Paris.

Otherwise, the possibility of a summit agreement is regarded as extremely slim. A failure could, in the opinion of M Gaston Thorn, President of the European Commission, mark "the beginning of a process of self-destruction which could sweep away the work of the last 25 years."

M Thorn's views are now widely shared by other EEC politicians and diplomats. "I can see little chance of an agreement at the summit and even less possibility at the one after that in June because governments will not compromise ahead of the European elections," a senior member of the European Parliament said this week.

His judgment has apparently been confirmed by President Francois Mitterrand of France who has met a majority of his

fellow-heads of government for bilateral talks over the last three weeks.

In The Hague, he is said to have told Mr Ruud Lubbers, the Dutch Prime Minister, that the Brussels summit offered the only opportunity for a settlement during France's six-month tenure of the EEC Presidency.

According to the Commission, the Community will be facing financial disaster by June. On present trends, one-third of the farm budget will have been consumed in the first quarter of the year, and if this spending rate continues, the budget will be exhausted by September.

Blame for the political deadlock is already being freely apportioned. Within the Parliament, the Commission is being accused over the quality of its proposals and degree of political determination. Most member-states blame each other and all are increasingly finding fault with France.

Too much time is said to have been spent on bilateral talks, and the French Government is believed to be divided over what policies it should be pursuing.

This is said to be most evident in the vital talks on agricultural economics and proposals for a price freeze. M Michel Rocard, France's Agriculture Minister, seems increasingly anxious to avoid taking responsibility for measures which will hit French farmers.

The belief within the Commission is that a stronger effort on his part could yield agreement on a quota in dairy production.

But the farm talks remain bedevilled by the inability of France and West Germany to agree on phasing out border taxes and subsidies, and the desire, manifest in France, Italy and Greece, to protect Mediterranean products from any cuts.

Cologne banker jailed for fraud

By Rupert Cornwell in Bonn

HERR IVAN HERSTATT, the founder and chairman of the Cologne private bank which has been steadily recovering from yesterday convicted of fraud and sentenced to four and a half years in jail.

Immediately after the verdict was handed down by a Cologne district court, the 70-year-old Herr Herstatt protested his innocence, while his lawyers announced their intention to appeal.

Nonetheless, the outcome of the 11-day trial may mark the virtual end of the Herstatt saga, almost a decade after the bank failed with a court order for DM 1.2bn (£311m) caused by illegal foreign exchange dealings.

Although six other former Herstatt managers and exchange dealers have been convicted in the last year, it has for a long while seemed that Herr Herstatt himself, who had produced evidence of heart troubles, would escape trial on medical grounds.

Last autumn however, tenacious public prosecutors succeeded in having him declared after all fit to face a court. They immediately brought new charges of fraud and fraudulent bankruptcy.

These were upheld by yesterday's verdict. It came just over four months before West Germany's 10 year Statute of Limitations would have come into effect for Herstatt, meaning that after June 26, 1984 all outstanding proceedings in the case automatically lapse.

In its judgment, the court found that Herr Herstatt had been party to the concealment of DM 100m of foreign exchange losses in the bank's 1973 balance sheet. He had moreover signed that balance sheet in early 1974, when he was aware that Herstatt was facing losses of DM 500m.

The Herstatt collapse was West Germany's most serious post-war bank failure. It sent shockwaves through the international banking system. Since criminal proceedings began in 1979, courts have sent a total of 255 days on the case.

Kohl summit plea

West German Chancellor Helmut Kohl called yesterday for an early summit between President Reagan and new Soviet leader Konstantin Chernenko, saying they shared a great responsibility and some common experiences.

Herr Kohl, who met Mr Chernenko on Tuesday after the Moscow funeral of Yuri Andropov, was in Brussels for talks with Belgian leaders.

West German motor industry maintains high level of output

BY JOHN DAVIES IN FRANKFURT

THE WEST GERMAN motor vehicle industry, which has been steadily recovering from the end of this month in talks about a cut in the working week from 40 to 35 hours.

An indication of the basically sound state of the motor vehicle industry is the improved job market. The number of employees in the industry at the beginning of the year was about 5,000 more than a year earlier.

One number of motor vehicle industry workers on short time has fallen to 39,000, compared with as many as 161,000 a year ago.

Exports also show a brighter picture. The West Germans exported 183,600 cars last month, 8 per cent more than a year ago. Commercial vehicle exports were up 25.8 per cent at 15,200. Car exports per working day showed a less dramatic rise of 3 per cent.

Car production in West Germany has been picking up in each of the past three years, rising 3.1 per cent last year to 3.88m. The industry hopes this year to top the 1979 record of 3.93m.

Commercial vehicle output has been showing an opposite trend, declining last year for the third year in succession to 289,910, down 2.8 per cent on the previous year.

Bundesbank to keep tight rein on money supply

BY JOHN DAVIES IN FRANKFURT

THE BUNDESBANK, West Germany's central bank, has affirmed its determination to keep a tight rein on money supply, which has shown only modest growth since the beginning of the year.

The central bank said that money supply, seasonally adjusted, resumed its advance last month, after declining in December, but the trend rate of growth was at the lower end of the target range.

The Bundesbank decided recently to narrow its money supply growth target to a range of between 4 and 6 per cent per year, from the previous range of 5 and 7 per cent.

It said that after a period of sometimes rapid increase up to the middle of last year, money supply growth had flattened to a more moderate rate in keeping with the central bank's macro-economic aims.

The money supply had ended the year exactly at the 7 per cent

top end of the target range of growth.

The Bundesbank said that in view of prospects for economic expansion and possible inflationary pressures, it was appropriate that the money supply should grow less rapidly than the nominal rate of growth of gross national product this year.

The central bankers are feeling more relaxed lately with the U.S. dollar declining and domestic inflation still showing.

The Bundesbank continues to be optimistic about West German economic prospects, pointing out that orders booked from abroad should lead to a strong revival in export business in the next few months.

It is also encouraged by signs of a recovery in investment, which it maintains should benefit the machinery and electrical engineering sectors.

Consumer spending, however, has been cautious lately and among the less dynamic influences for economic growth.

Castro makes surprise first visit to Western Europe

BY TOM BURNS IN MADRID

CUBAN PRESIDENT Fidel Castro turned a technical stopover yesterday at Madrid airport on his return from the Moscow funeral of Yuri Andropov into a surprise first-ever visit to a Western European country.

The Cuban leader, who was accompanied by Sr Daniel Ortega, the Nicaraguan junta leader, on the Aeroflot flight, was met at the airport by Spanish Prime Minister Felipe Gonzalez. The three government leaders lunched together at Sr Gonzalez's official residence.

In a brief exchange with reporters at the airport before continuing his flight to Havana, five hours after his arrival, President Castro emphasised Cuba's close ties with Spain, as well as his own personal links

with the north western Spanish regions of Galicia where his father was born.

The unexpected meeting serves to underline the apparent broker's role in the Central American crisis that Sr Gonzalez has been playing over the past year.

The Spanish leader has earned a reputation as a skilled expert on Central America and has the advantage of maintaining good relations with all parties concerned in the crisis—including the U.S.

All three leaders spoke in support of the so-called Contadora regional peace initiative which is sponsored by Colombia, Mexico, Panama and Venezuela. "Contadora has been and will continue to be a hope for peace in Central America," said the Cuban leader.

Rome fears shooting may herald revival of terrorism

BY JAMES BUXTON IN ROME

THE MURDER in Rome on Wednesday night of Mr Leo Hunt, the U.S. director general of the Sinal multinational peace-keeping force, whose headquarters is here, has confirmed the Italian Government's worst fears about a revival of domestically bred left-wing terrorism.

Responsibility for the murder has been claimed by the Red Brigades.

Recently, Sig Oscar Luigi Scalfaro, the Minister of the Interior, warned that the Red Brigades were regrouping in Rome, Milan and Naples.

Ever since the spectacular commando action which freed U.S. General James Lee Dozier, in January 1982, from the Red Brigades, there have been few serious acts of left-wing terrorism in Italy. Hundreds of

members of left-wing terrorist groups have also been arrested.

Life has become visibly more relaxed, although there have been occasional acts of Arab terrorism on Italian soil, including the recent fatal shooting of the Libyan ambassador in Rome.

The killing of Mr Hunt in a Rome suburb is seen as an attempt by the Red Brigades to demonstrate that they are still operating, although police say it was a relatively amateurish operation, leaving many clues.

Another theory, however, is that Mr Hunt was killed by Italian terrorists acting on behalf of Arab groups protesting at the Camp David accords, of which the peace-keeping force in Sinai is a guarantee.

Italian Communist union protests against wage decree

BY JAMES BUXTON IN ROME

PROTEST STRIKES, demonstrations and hoots of motorways and railways broke out all over Italy for the third day running yesterday, as trade unionists protested against the government decree imposing a cut in wage indexation.

There was serious disruption in the Naples area and in Genoa, and in Trieste there was a general strike.

The protests mainly involved members of the CGIL union, the majority of which backs the opposition Communist Party. It was the CGIL's refusal to sign a voluntary agreement along with the two other union federations and the employers that led to the decision of Sig Bettino Craxi's government to impose its incomes policy by legislative decree.

The decree, which was yesterday formally presented to parliament which must approve it in 60 days, will reduce by three the number of percentage points on the Scalo Mobile index which will be compensated for by quarterly pay increases.

It will also impose a ceiling of 10 per cent on rises in those prices which are under the state's direct control.

The measures, which represent the first time an Italian government has taken action to reduce wage indexation without a voluntary agreement of all interested parties, are aimed at getting inflation down from last year's average of 15 per cent to an average of 10 per cent this year.

The action by the centre-left coalition government has been sharply condemned both by the CGIL union, whose governing

committee was divided on the issue, and by the Communist Party.

Confindustria, the leading employers' association, is also deeply disappointed that the cut in wage indexation is relatively modest, even though it supported the government's proposals.

The events of the last few days have left the trade union movement split to a degree unprecedented for more than a decade, a fact which is of concern to employers who naturally prefer to deal with a unified union leadership. The Socialist Party oriented Unione Italiana del Lavoro (UIL), and the pro-Christian Democrat CISL both favoured the government's proposals.

"Trade union unity doesn't exist any more," Sig Giorgio

Benvenuto, leader of the UIL, said yesterday. The UIL would next week make a proposal aimed at restoring a degree of cohesion. But this would only involve suggesting a new system of co-operation between the unions rather than reviving the unity of the past.

The UIL's desire to reduce wage indexation was aimed at creating more space for obtaining wage rises in contract negotiations, which have been overshadowed by the scab mobile, whose effect is to narrow wage differentials. But the UIL did not want the total abolition of indexation, Sig Benvenuto said.

He openly accused the Communist Party of organising the strikes and protest marches, said claimed that many Communist members of the CGIL

were refusing to take part in them.

"These strikes will have a boomerang effect on their organisers. The public is fed up with continual strikes and the disruption they cause," he said. Many of the strikes had produced a poor turnout, he claimed.

"Making a revolution over just 3 percentage points on the scab mobile seems to me just an absurd exercise," said Sig Benvenuto.

The public quarrels in the union movement would lead to a fall in the number of members of all three unions, he said. CGIL had lost many members in the past few years. "It just seems to be bound up with the past," he said.

Sig Benvenuto openly accused Sig Luciano Lama, leader of

Danish foreign debt increases

By Hilary Barnes in Copenhagen

DENMARK'S net foreign debt increased by Dkr 312m (£2.5bn) to Dkr 185bn, or 36 per cent of the gross domestic product, last year, according to official estimates.

The debt was made up of Dkr 150bn in public sector debt and Dkr 72.5bn in private sector debt, Dkr 37.5bn in foreign exchange reserves.

A substantial part of the increase was attributable to foreign exchange movements, as the current balance of payments deficit last year was only Dkr 10.9bn.

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OVERSEAS NEWS

S. Africa's ruling party loses seats to Left and Right

BY J. D. F. JONES IN JOHANNESBURG

SOUTH AFRICA'S ruling National Party has been shaken by the results of Wednesday's two by-elections, when the parliamentary opposition parties to both Right and Left comfortably won their first big tests since the government victory in the constitutional referendum last November.

The more worrying result for Mr P. W. Botha, the Prime Minister, is that the Conservative Party (CP)—the breakaway ultraright-wingers—look the Soutpansberg seat from the Government, defeating a strong National Party candidate who admittedly had to overcome the legacy of his disgraced predecessor, Mr Fanie Botha, the former Labour minister.

The most significant aspect of this result in a deeply conservative northern Transvaal farming area is that the other ultraright party, the Herstigte Nasionale Party (HNP), had withdrawn from the contest at the last moment, thus revealing the potential strength of a united right-wing vote. A merger between the CP and the HNP has long seemed logical but has so far been frustrated by personality differences between the leaders.

In the second by-election, in Durban's Pinetown, the official opposition Progressive Federal Party (PFP) held the seat with far less difficulty than had been expected, after the National

Party had withdrawn in order to leave a clear run for the New Republic Party (NRP).

The Government tactic had been to count on the underlying conservatism of the English-speaking voter in Natal, where the NRP—the rump of the old United Party of General Smuts—was thought to be still strong. In the event the PFP won by 5,277 votes to 4,397, a result which will greatly hearten the PFP leadership since it suggests that the PFP supporters who defied the party line and voted for the Government in last November's referendum have not deserted the party for good.

The future of the NRP now looks bleak and there is bound to be renewed speculation of some sort of merger with the governing party. The NRP leader, Mr Vause Raw, has already admitted that the result has "serious implications."

● South Africa's economic and financial problems demand "urgent attention," Mr Owen Horwood, the finance minister, said yesterday, presenting a "mini-budget" to parliament, AP-DJ reports.

Mr Horwood announced a 6 cent-a-loaf increase in bread prices to hold down food subsidies. He said that this month's hike in general sales tax, from 6 to 7 per cent, will reduce downward pressure on the exchange rate of the rand.

Hong Kong market in stock index futures

By Robert Cottrell in Hong Kong

HONG KONG is likely to begin stock index futures trading later this year. The move is linked to a proposed reorganisation of the Hong Kong Commodity Exchange (HKCE), which could pave the way for introducing other financial futures contracts to the territory.

Mr Robert Fell, Hong Kong's commissioner for securities and commodities, announced yesterday that his office had decided to recommend that the Hong Kong Government approve trading of futures contracts based on the 33-share Hang Seng index. Mr Fell's recommendations will have to be approved by Hong Kong's Executive Council, and will probably require minor changes in law.

Mr Fell says he is also recommending a transformation of the Hong Kong Commodity Exchange, a private-sector organisation which is authorised by the Government to trade sugar, soyabean, and gold futures contracts.

He wants the Government to authorise a replacement organisation, the Hong Kong Futures Exchange (HKFE), which would take over the HKCE premises, to which all HKCE members and contracts could transfer, and which would use the HKCE's existing management and clearing system. The HKFE would, however, be open to banks, which are at present barred by law from HKCE membership.

The HKFE would apparently dispense with the services of Seacom (Holdings), which financed the setting-up of the HKCE in 1976, and which has a contract to provide it with administrative services.

In past years, the HKCE has seen slow business. In 1983 a total of 1,07m contracts were traded, of which 735,000 were soyabean, 333,000 sugar, and just 6,000 gold. The exchange has some 150 members.

The HKCE's proposal for a Hang Seng Index futures contract calls for the index to be valued at HK\$50 a point, with a minimum fluctuation of one point, a maximum daily movement of 100 points, and an initial margin of 10 to 20 per cent.

Kathy Evans, recently in Tehran, reports on the new drive against Iraq Iranian martyrs step up their holy war

OMAN 'CANNOT STOP' IRANIAN ATTACK ON STRAIT

BY STEWART DALBY IN SALALAH, OMAN

OMAN IS in a position to know in good time of any attempt by Iran to close the strategic Strait of Hormuz, but it cannot by itself stop an attack succeeding. Asked in an interview about Ayatollah Ruhollah Khomeini's threat to close the strait, Sultan Qaboos bin Said, the 43-year-old Omani ruler, said:

"We would like to think that he will not do it. It is not good for anyone. It does not serve anyone's interests. In spite of this we must take seriously any threat that he might try something."

"We are obviously not in a position on our own to prevent him closing the strait. We must ensure that we know what is happening in the strait, and if possible know well in advance of any impending attack."

"We can then confer with our brother Gulf states and decide on what course of action we must take," he added.

Oman, part of which sits opposite Iran on the narrow strait, serves as a kind of

sentry on the channel. "We are obviously not in a position on our own to prevent him closing the strait. We must ensure that we know what is happening in the strait, and if possible know well in advance of any impending attack."

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have been building up in a number of strategically placed islands in the Gulf. Iran is also planning to cater for the likely effects of its threat to close the Strait of Hormuz.

A feasibility study for an oil pipeline leading to the South-east of the country is shortly to go out to tender. This week, senior planning officials also forwarded an emergency economic plan to the Cabinet which outlined economic strategy in the event of an oil exports cut-off.

If it were not for the mounting civilian casualties, a steady war of attrition would have seemed more beneficial for Iran than any risky escalation. According to Ayatollah Khomeini, even if Iran does nothing, the collapse of President Hussein is only a short time away, for the people of Iraq will overthrow him soon.

Economically, Iran is much more able to sustain a prolonged war than Iraq, which has experienced a whittling down of financial assistance from the Gulf states in the past year. Iran's crude oil exports are continuing at the fairly healthy level of 1.7m b/d, about double those of Iraq, and foreign reserves are building up.

Dr Taqi Banki, Iran's economic planning chief, says that the war is absorbing about one-third of Iranian Government spending. About \$5.7bn goes on capital items for defence, while another \$1.5bn is absorbed in current expenditures for the Ministry of Defence, the Revolutionary Guards and the needs of reconstruction, martyrs' families and the refugees. It is a bill which Iran can sustain far longer than Iraq.

Limited operations in the north, code named "Liberation of Jerusalem," which started last week, are still going on, focused on the Sulaymaniyah-Baghdad highway. Observers in Tehran did not believe that the Iraqis would be tempted to bring into play their Super Etendard aircraft or their new Soviet missiles, the SS-12's. In the past week, Iranian forces

Lisbon meeting draws up plans for Mozambique dam

LISBON—South Africa, Mozambique and Portugal have made substantial progress towards relaunching the sabotaged Cahora Bassa hydro-electric dam in Mozambique.

Following two days of talks in Lisbon, Mr Louis Nel, South Africa's deputy Foreign Minister, said the three governments had drawn up proposals on increasing energy tariffs paid by South Africa, repaying part of massive financial losses incurred by Portugal, the principal shareholder, and protecting power lines from attack by rightist rebels in Mozambique.

The three sides will present the conclusions to their respective governments before a further round of talks in Cape Town in March.

The massive dam was built by Portugal in the 1960s. Lisbon retained a majority shareholding after Mozambique gained independence in 1975. But rebel attacks have cost Portugal more than \$44m in lost revenues from South Africa which could obtain up to 10 per cent of its power supplies from the dam.

But rebel attacks against power lines have cut off supply since last October. Energy from the dam was cut for six months in 1982.

Indonesia opens oil plant

BY KIERAN COOKE IN JAKARTA

INDONESIA HAS taken another step towards self sufficiency in refined oil products with the official opening of a \$147bn hydrocracker complex at the Dumai refinery in central Sumatra.

At present Indonesia, Asia's biggest oil exporter, is forced to import a large proportion of its refined requirements from Singapore. In the first nine months of 1983, refined oil imports from Singapore cost Indonesia \$2,74bn in much needed foreign exchange. But

the Government says it hopes that this will no longer be necessary by the end of the year. However, the Dumai refinery expansion has been delayed and many question whether the Government's target can be met.

Most significant for Indonesia's needs will be a 110 per cent increase in kerosene production from the plant: kerosene is widely used in Indonesia as cooking fuel. Last year Indonesia completed two expansion projects at its two other large refineries

Hawke softens line on industrial change

BY MICHAEL THOMPSON-NOEL IN SYDNEY

WITHIN HOURS of returning to Australia at the end of an 18-day tour of Asian capitals, Mr Bob Hawke, the Australian Prime Minister, was at pains yesterday to stress that economic restructuring in Australia would be achieved through consultation and consensus.

In Japan two weeks ago, Mr Hawke had warned that the introduction of new technologies, as well as new international trading opportunities, "will require many groups in our society to accept faster rates

of change than they have in the recent past: structural change in the economy, changes in technology, changes in the location and content of work."

Mr Hawke had singled out the Australian steel and car industries as suitable cases for treatment, and said Australia had to move away from policies, which had, as their only focus, the restriction of imports.

Next week, Mr Hawke is expected to initiate top-level talks with Broken Hill Proprietary (BHP)—Australia's mono-

poly steel producer—and with the Australia Council of Trade Unions, on the major initiative of his Asian tour, a plan to boost Australian steel exports to China.

Throughout his tour, Mr Hawke had emphasised that his ambition was to "enmesh" Australia into the Asian region, and maintained that "looking not too far ahead, the Asia-Pacific region must be accepted as a major catalyst for stronger worldwide economic performance."

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AMERICAN NEWS

Nancy Dunne, in Washington, on the pollution that few are willing to pay to clean up

Acid rain irritates Congress and Canada

AMONG THE traditional collection of grand proposals in this State of the Union message, President Ronald Reagan this year urged Congress to double its funding for research on the notorious pollutant acid rain, develop new pollution control technology and take action to clean up lakes.

But the reaction from environmentalists was one of outrage. Less than a year ago the President had pledged to make the fight against acid rain a top priority, but he was now refusing to establish an effective clean-up programme.

The Government of Canada, which is in the front line of damage from acid rain, dubbed the President's proposal "a serious setback" and said it was "deeply disappointed by his failure to enact a programme of controls."

Congress, too, was distinctly unimpressed. Mr William Ruckelshaus, head of the Environmental Protection Agency (EPA), was all but savaged in recent hearings at the Senate environmental committee. The President's failure to move against acid rain, said Senator Robert Stafford (Republican, Vermont), "may severely damage the prospects that Mr Ruckelshaus and the EPA will be able to regain the confidence of the American people that was lost just a year ago" (when the agency was engulfed in political controversy and its chief had to resign).

Mr Ruckelshaus declined to say when the President might take a stand on controls. But it is clear that without Adminis-



Acid Rain: Where it comes from and where it goes.

tration leadership, the battle against acid rain is likely to become bogged down in scientific disputes, regional conflicts, budgetary considerations and presidential politics.

Although not a burning issue for most Americans acid rain has caused untold damage in the north-east and Canada. The long distance pollutant is blamed for killing aquatic life in hundreds of lakes, damaging soil and eroding buildings and monuments. It is reported to have released lead from steel water pipes, and it has raised fears about stunted forests, depressed crop yields and increased respiratory ailments.

Despite the millions spent on scientific research into the phenomenon, however, questions remain. A National Academy of Sciences panel last July concluded that it is possible to

trace the relationship between air pollution and acid rain over a wide area and a long period of time, but could not agree whether the impact of a particular source of pollution on a particular geographical area can be measured. The panel produced differing views on the chemical reactions that cause acid rain, how acidic precipitation actually affects animals and plants and how the problem should be addressed.

Most scientists agree that acid rain is created when sulphur dioxide emissions from coal-burning plants and nitrogen oxides from car exhausts and factories (mostly in the U.S. Midwest) are pumped into the skies. The gases are then thought to mix with water vapour and fall to Earth as a corrosive precipitation.

Presidential politics aside, Congress itself falls to regional squabbling when faced with the question of who should pay for an acid rain clean-up. The North-eastern states say they are the victims, and they oppose a national tax to pay the bill. Westerners say they already pay more for electric power than anyone else because they have fewer and cleaner power plants, and they should not be billed for pollution caused by others. The Midwestern states, which have been hard hit by recession, say they cannot bear the cost alone.

Not all business interests are opposed to a big acid rain programme. For the air pollution control industry, a clean-up would mean a welcome boost. Sales of scrubbers peaked in 1980 at \$2.5 billion and are expected to reach \$3.5 billion in 1985. Controls on just the 50 largest power plants, requiring a scrubber for each of the 153 generating units, would, the industry says, represent sales of about \$5bn.

clean-up campaign and has pledged to cut industrial emission of sulphur dioxide by 50 per cent if the U.S. will do the same.

"You only need to look at what has happened in Scandinavia and parts of Western Europe now to know this is a very serious and important issue," says Mr Charles Caccia, the Canadian Environment Minister. "We want to avoid the European experience at all costs."

In despair, five states—New York, Maine, Minnesota, Rhode Island and Vermont—told EPA last month that they intend to sue because the Agency failed to order reductions in sulphur emissions. Under the Clean Air Act, the EPA administrator has the authority to order reductions if he finds emissions in one state are harmful to another.

Acting alone, New York ordered its infamous Con Edison utility to install air pollution control equipment in three of its units proposed for conversion from oil to coal. It was the first time a regulatory authority had decreed that scrubbers, the main pollution control devices available, should be fitted on older power plants converting from oil to coal.

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U.S. house starts hit new monthly high level

By Stewart Fleming in Washington

U.S. HOUSING construction starts hit their highest monthly rate for five years in January.

The January rise of 15 per cent on the December level translated into an annual rate of construction of 1.9m units. Taken in conjunction with a 25 per cent rise in home sales in December, the January housing starts figure strongly suggests that the housing market is proving more resistant to high interest rates than many economists had been expecting.

Separately, the Commerce Department released figures showing that consumer personal disposable income rose by 1.1 per cent last month compared with December, the biggest single rise since October last year.

The Federal Reserve Board reported yesterday that capacity utilisation in factories, mines and utility concerns rose to 79.4 per cent in December from 78.1 per cent in November.

Strong gains in industrial production reported earlier this week suggested that January capacity utilisation would continue the upward trend. These and other indicators are encouraging to those who feared growth might taper off sharply and discouraging to economists who worry that too rapid growth of the economy and Washington's failure to tackle the federal budget deficit may lead the Federal Reserve Board to tighten its monetary policy.

The stalemate in Washington on the budget issue shows no signs yet of being resolved. President Ronald Reagan's earlier this week that he is still unwilling to accept the tax increases or defence spending cuts which the Democrats are pressing for as part of a deficit cut compromise.

And he dismissed suggestions that the recent collapse of prices on Wall Street is due to fears about the size of the Federal budget deficit. Reuter adds from Washington: Treasury Secretary Donald Regan said money supply growth in the past two months has been "sufficient" to insure continued economic recovery.

"Ten per cent in the past two months is plenty of money to sustain this kind of non-inflationary growth," he said.

Brazil to seek IMF approval for release of next loan tranche

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL IS preparing a new Letter of Intent to the International Monetary Fund, as well as a formal request for a "waiver" in respect of its failure to meet certain IMF-set targets at the end of 1983.

Although both documents are considered formalities, their approval by the IMF's board is essential for the release in mid-March of the next \$300m tranche of the Fund's \$4.6bn extended, three-year loan to Brazil.

An IMF technical team headed by Mr Thomas Reichmann, head of its Atlantic Division, is currently in Brazil, studying the performance of the economy and discussing new money supply and credit expansion targets for the second and third quarters.

The factor which continues to bedevil the negotiations, as throughout last year, is the lack of success in curbing inflation in response to the conventional tightening of monetary control. Setting targets for six months hence has thus become even more hazardous than usual.

Brazilian officials say privately, however, that the year in Brazil started badly for the Government and the IMF. Prices rose in January

by nearly 10 per cent and an identical, or greater, rise is expected this month. The increase in the monetary base last month was double the agreed level.

A top planning ministry official said on Wednesday the Government was not planning to restrict credit further. Instead, it will redistribute State spending planned for the coming months and increase transfers from the fiscal to the monetary budget.

It is unclear as yet whether Brazil's latest IMF document will be presented as a separate letter of intent—the fourth since January 1983—or, simply another annex to the third letter, signed last September.

The application for a "waiver" on its performance targets for last December should be approved automatically, Brazilian officials argue, as the failures result largely from the delay in finalising the country's new \$6.5bn jumbo loan from the banks.

The actual drawdown of the first \$32m tranche of the jumbo is not now expected until late next month, setting back further the promised ending of the emergency foreign payments controls imposed in September.

Changes to Nicaraguan state statute approved

BY TIM COONE IN MANAGUA

AFTER TWO days of intense debate, the Nicaraguan Council of State, the country's legislative body, has approved four changes to the Fundamental Statute of State which established the revolutionary Government in 1979.

The changes authorise the election of a president, vice-president and a 90-member National Assembly in simultaneous elections due to be held in 1985.

The Nicaraguan Communist Party and right-wing opposition parties to the ruling left-wing Sandinistas, opposed the simultaneous election of the executive (the president and vice-president) and the National Assembly, arguing that the

executive office of the presidency would interfere in the affairs of the National Assembly. Meanwhile, the Sandinista television system had been converted into a political institution by Government decree, to establish its independence in the election campaigns.

Mr Carlos Nunez, one of the top nine Sandinista leaders, told a visiting Dutch parliamentary delegation that all that the nine political parties would be given equal access to radio and television for their campaigning, and that the State would give each party 6m cordobas (\$1,000,000) to finance their election campaigns. It is expected that the nine political parties in the country will also be able to receive funds from outside the country.

Canadian budget aims to keep on course for recovery

BY NICHOLAS HIRST IN TORONTO

MR MARC LALONDE, Canada's Finance Minister, has brought in a budget designed to let the private sector build a continuing economic recovery, but with few significant changes.

Union leaders are unhappy that the budget has done little to alleviate unemployment, which Mr Lalonde estimates will remain over 10 per cent this year. Business groups, however, have given a cautious favourable response.

However, Mr Lalonde has little room for manoeuvre. His forecast for a \$32bn reduction in the federal deficit of \$31.5bn for 1983-84, equal to 8

per cent of GNP, depends on increases in corporate and personal taxes flowing from an estimated 5 per cent real growth in the economy, a higher growth rate than many private sector economists are predicting.

Some of the rise in government revenues will come from the delayed tax increases introduced in the previous budget last April, but the forecast 18.1 per cent increase in personal taxes and 25.2 per cent rises in corporate taxes, if they are to be met, mean substantial increases in both wage earnings and corporate profits.

Some \$890m is added to the economy above estimates to last year's budget, mostly in increases in government job creation and training programmes and supplementary payments to pensioners.

Politically, however, the budget is aimed at restoring the Liberal government's frayed image with middle and upper income earners. Increased tax concessions are given on individual retirement plans, tax incentives are to be introduced for employee profit sharing, and small business taxes are to be simplified and reduced.

Occupational pensions are to be improved and the Government intends to introduce a mortgage interest protection scheme.

However, unemployment is expected to remain at 10 per cent or more for the year despite \$31bn of accelerated public works programmes announced in the 1983 budget to be carried out in fiscal 1984-85.

An inflation forecast of 5 per cent against 5.3 per cent last year is higher than the expected rate in the closely linked U.S. economy. But economists have welcomed the scrapping of the

last two years' mandatory public sector and voluntary private sector wage guidelines.

Mr Lalonde forecasts economic growth averaging 4 per cent between 1983-85—again below the most private sector forecasts—and a consequent decline in the deficit to 6.9 per cent of GNP in 1984-85, and 4.7 per cent by 1987-88.

It all looks very optimistic, but then the forecast of 2.3 per cent real growth last year was exceeded with a rise of 3 per cent. Whether this happens, it is unlikely that the present government will be in power to see it.

WORLD TRADE NEWS

Rome go-ahead set for \$500m Iraq loan

BY ALAN FRIEDMAN IN MILAN

THE ITALIAN Government has agreed provisionally to provide an export credit line of \$500m to Iraq. The move was announced after a meeting in Rome of the Italo-Iraqi Joint Commission on Trade, headed by Sig Nicola Capria, Minister of Foreign Trade, and his Iraqi counterpart, Mr Hossein Ali.

The agreement is provisional because it still requires the approval of an Italian cabinet committee.

The Governments of Italy and Iraq have been discussing such a loan for several months. Many in the Italian Government suggested that such a credit would put Italy in line with other European trading partners of Iraq—such as Austria, Great Britain, France and West Germany—which have already granted credit.

Although the loan is described as an export credit, it is seen by some in Rome as having a political com-

plexion in view of the continuing Gulf war between Iraq and Iran.

According to the announcement, the increase of petroleum exports from Iraq to Western countries should provide sufficient cash flow to allow the repayment of short-term debt.

A major element of the Italian credit is the desire of several Italian state-controlled companies to achieve a satisfactory conclusion of negotiations on two power station contracts which have still not been awarded in Iraq.

An Italian consortium of companies is hoping to win the deal, estimated to be worth \$1.7bn. Among the Italian companies competing are Italmonted, the Genoa-based engineering group, and Snamprogetti, the oil pipeline group. Several subsidiaries of the ENI state energy group are also hoping to secure Iraqi contracts.

W. German trade with Arab world falls sharply

By Rupert Cornwell in Bonn

AFTER TWO record-breaking years, West Germany's trade with the Arab world plunged in 1983, as a result of the drop in the quantity and price of oil exported by the major producer-countries in the region.

Although figures released by the Federal Statistics Office yesterday show that West Germany's trade surplus with Arab countries remained at over DM 7.4bn (\$1.5bn) both imports and exports fell back very sharply.

German exports to the region declined by 21 per cent to DM 27.1bn, in part due to the expiry of major contracts previously placed by various Arab Governments.

Its imports, however, contracted even more drastically, by 30 per cent to DM 19.7bn. This primarily reflected a cut in purchases of Arab crude oil, to only 28.7m tonnes in 1983 from 38.9m in 1982.

Last year, Arab countries supplied over 41 per cent of West German oil imports, compared with nearly 54 per cent in 1982.

The net result is that the region has lost overtaken by North America as the second largest outlet for West German exports, after Europe.

The best Arab customers for West German goods last year were Saudi Arabia which took DM 7.8bn-worth, followed (despite the Gulf War) by Iraq with DM 3.7bn, and then Egypt, Algeria and Libya.

Oil made Libya easily West Germany's biggest Arab supplier, with DM 8.3bn-worth of exports.

The Rijeka yard will now deliver two of the four 33,000-tonne ships it was originally contracted to build for the French company, and the other two will be built in France.

President Francois Mitterrand, who earlier this year visited Yugoslavia to improve bilateral relations between the two countries, apparently intervened with the compromise solution.

Yugoslavia reacted bitterly when under pressure from its unions and shipbuilders, the French Government last month denied Delmas-Vieljeux an import licence for all four of the Rijeka ships it had ordered.

Jerusalem aims to increase exports to its closest ally, David Lennon writes U.S., Israel press on with free trade pact

THE U.S. and Israel are pressing ahead with negotiations on a free trade pact, which Israeli officials hope will sharply boost their country's exports to its closest ally, and at the same time substantially reduce its reliance on U.S. aid.

The second round of talks on technical matters is taking place this week in Jerusalem, following an intensive first session in Washington last month.

Although officials stress that negotiations are still at an exploratory stage, both sides believe an agreement could be reached by the end of this year and start being implemented in 1985.

The aim is to create a bilateral agreement abolishing customs duties and other restrictions on trade, similar to the accord currently being put into practice by Israel and the EEC.

The U.S. is already Israel's largest single trading partner. In 1982, it bought \$1.1bn (\$785m) worth of Israeli goods and services, according to a spokesman at the U.S. Trade Mission in Jerusalem.

Israel exports to the U.S. amount to more than 20 per cent of overall exports, and non-military imports from the U.S. account for nearly 20 per cent of merchandise imports.

But officials in Israel set great store by the additional possibilities offered by the vast American market. At the same time, they declare they are prepared to accept the risk that the trade flow from the U.S. to Israel could threaten some local industries.

No senior official on either side is prepared at this stage to say how much the proposed agreement would boost trade. But Israeli politicians such as Mr Gideon Peit, Industry and Trade Minister, believe it could produce an increase in Israeli exports of more than \$1bn a year, reaching some \$7bn-\$8bn by 1990.

Israel's 1971 agreement with the EEC provides for gradual reduction and ultimate cancellation of tariffs on European imports by 1987.

It was the fact that Israel will be completely open to EEC exports by 1987 that was used by officials to persuade Washington to consider a similar arrangement, rather than face the prospect of being pushed out of the Israeli market by free-flowing European products.

The idea of a free trade area has been around for several years, but it received its push from the theoretical into the practical in November when President Ronald Reagan ex-

pressed support for the idea during talks with visiting Israeli Premier Yitzhak Shamir.

Currently, Israeli goods enter the U.S. under the Generalised System of Preferences (GSP) scheme which since the mid-1970s has helped greatly to boost trade.

The GSP allows Israel to sell any of 2,800 articles in the U.S. without tariffs but success in the U.S. market brings the

seller up against GSP quantitative limitations.

If one country exports a certain article to the U.S. which accounts for more than 50 per cent of the total import of that article from all sources, or total U.S. imports of that item exceeds \$50m a year, then the item is automatically excluded from the list of those benefiting from the GSP tariff exemptions.

The creation of a free trade area would abolish these ceilings and create a "stable situation which permits more national investment, a U.S. official explained.

It would also remove Israel from the danger that the ceilings could be lowered, if Congress decided on a more protective policy when reviewing the GSP, as it is now doing.

The negotiations have yet to decide such issues as what defines an Israeli or U.S. product, that is, how much of it must be produced in Israel or the U.S. in relation to the imported raw material content.

The discussions also involve the phasing in of the agreement: the stages at which tariffs are reduced, and whether this

should be mutual, or weighed in Israel's advantage, as is the case with the Israel-EEC agreement under which European tariffs were lowered much more rapidly than Israeli barriers.

Care also has to be taken not to contravene any of the Gatt regulations, and discussions on individual products to be covered by the agreement could only begin after Washington consults with its International Trade Commission.

Another problem to be tackled is the opposition by producers in both countries who may fear that they could be harmed by the competing imports.

There is little doubt there will be pressure, especially in Israel, to include carefully defined exception clauses to give the local producers the opportunity to make the necessary adjustments to the changing trade climate.

Mr Peit's answer to Israeli industrialists' objections is: "If we do not allow our markets to be open to goods from another country, then there is no reason to believe that the other market will be open to us."

Three bids likely for Singapore transit

BY CHRIS SHERWELL IN SINGAPORE

AND HAZEL DUFFY IN LONDON SINGAPORE'S Mass Rapid Transit Corporation, which is awarding contracts for the city state's massive \$5bn metro project, is believed to have included British, Japanese and Swedish bidders on a shortlist of suppliers of the system's automatic trains.

The British interest is in Metro Cammell, which has teamed up with Singapore Automotive Engineering, a Singapore Government-owned corporation involved in the defence industry.

The Japanese bid is led by Kawasaki in Association with Nippon Sharyo Seizo Kaisha, Tokyu Car and Kinki Sharyo. The Swedish bid

is led by Asea in partnership with Sembawang Shipyard of Singapore. It is not clear which other bidders have been asked by the MRT Corporation to supply further details on the bid, the outcome of which is due to be announced in April.

A Franco-Singaporean consortium linking Francorail, Sofretec and Alstom Atlantique with Singapore Shipbuilding and Engineering is expected to come back with a strongly competitive bid.

Eight consortia were invited to submit their commercial bids for the \$400m contract by January 9. They include groups from Finland, Belgium and West Germany.

Italy wins cable contract

BY ALAN FRIEDMAN IN MILAN

ITALCABLE, the overseas telephone subsidiary of Italy's Iri-Stet state holding group, has won a \$14m contract to complete an international telephone cable system for 19 European, Arab and Asian countries.

The project, which will be finished by July 1986, is designed to improve telephone services through an integrated cable network span-

ning Europe, South-East Asia and the Indian Ocean.

Relay stations for the system are to be located in Singapore, Indonesia, Sri Lanka, Djibouti, Saudi Arabia, Egypt and Sicily. The transmission network will be supplemented by two major links, one from Singapore to Hong Kong and Taiwan and the other from Indonesia to Australia.

India to manufacture

W. German submarines

INDIA has taken up an option to manufacture four West German-designed submarines at its Mazagon docks shipyard in Bombay in addition to two vessels being built in Germany by Howaldt Deutsche Werke, John Elliott reports from New Delhi.

The submarines—called HDW-1500 in Germany and HDW-209 in India—will replace Soviet Foxtrot submarines now in service. The German-built vessels are expected for delivery in 1986, with the Indian built vessels being delivered from 1988.

France partially reverses ban on 4 Yugoslav ships

BY ALEKSANDAR LEBL IN BELGRADE

THE FRENCH Government has partially reversed its earlier ban on the purchase by the French shipping group of Delmas-Vieljeux of four ships from Yugoslavia, according to a spokesman at the 3rd May shipyard in Rijeka.

The Rijeka yard will now deliver two of the four 33,000-tonne ships it was originally contracted to build for the French company, and the other two will be built in France.

President Francois Mitterrand, who earlier this year visited Yugoslavia to improve bilateral relations between the two countries, apparently intervened with the compromise solution.

Yugoslavia reacted bitterly when under pressure from its unions and shipbuilders, the French Government last month denied Delmas-Vieljeux an import licence for all four of the Rijeka ships it had ordered.

The price of the Yugoslav-built ships will be FF 135m (\$11.4m) each. Delmas-Vieljeux is said to be willing to pay 10-12 per cent more to French shipyards which, however, initially asked for three times the Yugoslav price.

Reuter adds from Taiwan: Marine Transport Line (MTL) of New York is negotiating with China Shipbuilding Corp (CSBC) to buy two new oil tankers, a CSBC spokesman said.

Last November, MTL bought a newly-repaired tanker from CSBC for about \$22m (\$15.7m). That tanker was originally ordered by Exxon Corp of the U.S. but was gutted by fire in July 1982.

Exxon cancelled the order and CSBC sold it to MTL after it was repaired, the spokesman explained.

The two new tankers would be of the same size as the repaired vessel, but the spokesman declined to disclose their price.

Dutch win £15m Singapore dredging order

By Walter Ellis in Amsterdam

BALLAST-NEDAM and Boskalis Westminster, two of the largest Dutch construction groups, have won a £15m (£15m) joint order from Singapore for the dredging and reclamation of land between the islands of Sakra and Bakau.

The contract, planned to take 22 months to complete, follows a similar project last year to enlarge the island of Palan Busing.

At the same time, the Government of Taiwan has awarded Philips the Dutch electronics group, a £150m order for the provision of lighting, sound, recording and other electronic systems to the new national theatre and concert hall to be built in Taipei.

Much of the work—scheduled to be carried out in 1987—will be the responsibility of Philips Taiwan, currently the largest foreign employer on the island.

Valletta urges Paris to buy more Maltese goods

BY GODFREY GRIMA IN VALLETTA

MALTA is pressing the French Government to take positive steps to alleviate the island nation's mounting deficit in bilateral trade.

Malta last year imported MF4.5m (\$9.1m) in goods from France, comprising mainly steel and cars, and exported just MF4.5m in return, mainly in semi-manufactured goods.

The Government of Mr Dom Mintoff grew so alarmed at the size of the imbalance that it recently imposed a temporary ban on French imports, followed by a "temporary" ban on the issuance of licences for the importation of French goods.

The Ministry of Trade last week allowed some of the import licences to be issued, but the situation is far from normal. Because of the seeming insolubility of the problem, Malta has informed the French embassy in Valletta that it wants to pursue a policy of reciprocity in trade, in other words, an enforced balance in the shipment of goods between the two

countries.

While France has not formally replied to the Maltese suggestion, French trade officials see little immediate solution. French investment in the Mediterranean region usually goes to Francophone countries, not to English-speaking nations.

They do hold out the possibility, however, of a boost in tourism.

Bassani Ticino in

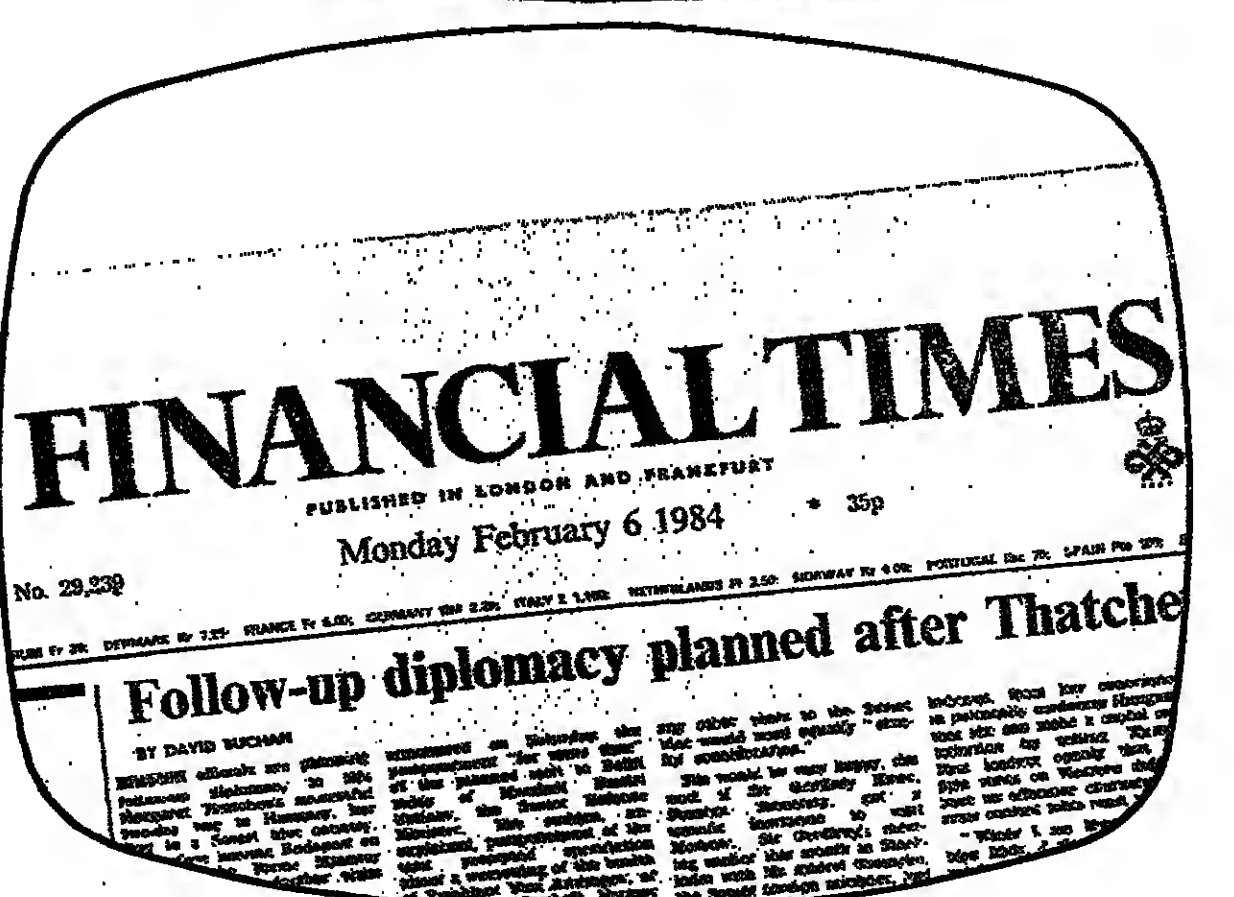
W. German link-up

BASSANI TICINO, a private Italian manufacturer of electrical switching equipment, yesterday announced a co-operation agreement with West Germany's AEG-Telefunken group of West Germany, Milan, Friedman reports from Milan.

The agreement envisages an exchange of products and technologies in the fields of low voltage switching gears, control gears and miniature circuit breakers.



If you want to know
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Where do the newspapers advertise when they want to boost sales? Last year sixteen newspapers spent £18,364,000 on television.

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TECHNOLOGY

NEW STORAGE SYSTEMS CHALLENGE MICROFILM

Optical discs for data 'juke box'

BY GEOFFREY CHARLISH

WHEN it is completed in a few weeks' time, a document storage system at the U.S. Library of Congress will utilise 100 Thomson-CSF optical storage discs in a data "juke box" able to hold 2.5m A4 size documents in digitised electronic form.

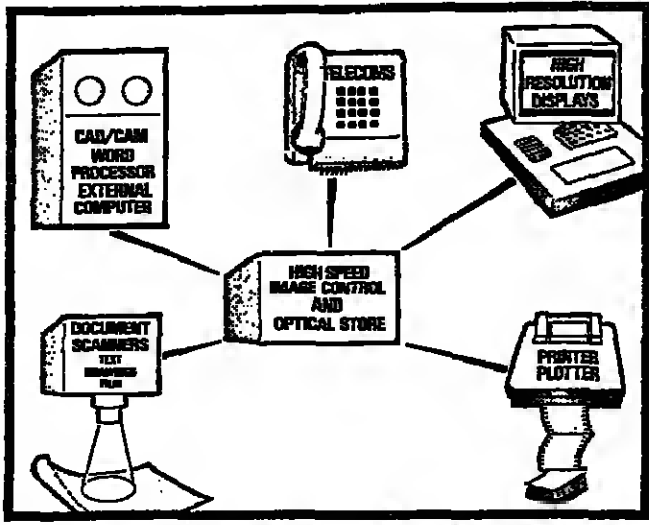
Although this amounts to 100,000 characters (100 gigabytes of computer data), the access time for any page is not likely to be more than 10 to 15 seconds.

The system, which is an obvious threat to both magnetic tape and microfilm, has been developed by a \$22m turnover Californian company called Integrated Automation. It has just become available in the UK following a marketing agreement with Data Logic, a leading British systems house and part of the Raytheon Group.

It costs between U.S.\$0.5m and U.S.\$4.0m, depending on the number of access terminals and other factors, although the company believes that by the end of the year systems will emerge at about \$100,000.

The cost of storage is extremely low however, and is put by the designers at about \$150 per gigabyte (thousand million characters). In round terms, this works out at about 30 pages of text per U.S. cent.

There are several earlier installations in the U.S. and elsewhere. At Lawrence Livermore Laboratories in California, for example, about 2m drawings are



How the optical storage system interfaces with other computer-related equipment.

stored on microfilm with electronic conversion for TV screen viewing and transmission, but it is a sign of the times that IA is now moving to optical digital storage.

According to Dr C. V. Ravi, Vice-President of IA's image systems division, the implications "are awesome." He says: "Systems already on order will make major changes in traditional concepts of office automation, engineering document control, archival storage, transaction processing, publishing,

allowing various kinds of image improvements to be implemented.

For larger images such as drawings, a 4096 element scanner examines the image in strips to cover the area with adequate clarity. The company claims that the definition obtained is better than any TV camera tube that could have been used.

Scanned images can be on paper or film originals, existing aperture microfilm cards, and can also come from computer aided design systems.

Before committing the digitised images to optical disc, electronic enhancement is applied. This has the effect of improving, say, an office-copied engineering drawing so that soiled areas, smudging or scratching can be eliminated. In addition, lines and characters in the drawing (or page of text) can be sharpened up using enhancement software.

After enhancement, the IA system applies compression techniques, allowing the data to take even less room on the optical disc, without loss of detail.

Seated at high definition display terminals, users can extract images for inspection and take copies on suitable printers or plotters.

The user terminals work in either alphanumeric or image mode. In the former, they communicate directly with the system's computer to search the index/database and help the

user to find the document he wants. In the latter, the images can be modified "on screen" and put back on the disc. In the case of larger scale drawings, the screen is used as a "window" to zoom in on magnified segments of the drawing area.

Records on the optical disc cannot be altered, but the storage cost is so low that the system simply writes the whole document record again in a new position on the disc. In many applications this is an advantage, says the company, because it provides an unerasable audit trail of revisions to drawings and documents.

In theory, once the documents have been captured, paper originals can be destroyed. But a copy can be obtained on demand if needed for use off site—and the images can be sent over phone lines.

A report in August 1983 by Frost and Sullivan (The Optical Memory Media Market in the U.S.) suggests that this kind of system "will have great success in markets now served by magnetic tape and microfilm."

Magnetic media, the report says, are vulnerable because optical disc is more compact, accessible and durable, while microfilm cannot store digital data as well as images. (In addition, according to IA, microfilm is about five times the cost of optical.)

By 1988, Frost and Sullivan thinks the market for optical media alone will top \$135m in the U.S.

SOFTWARE SECURITY

How to beat the computer pirates

BY MARK MEREDITH

"ANY self-respecting hacker can debug a dongle in 10 minutes," the man said coming to the sharp end of computer software piracy.

The software industry reckons that for every software program sold, seven copies are made—most of them by the home computer buffs. Software piracy on a larger scale exists with expensive programmes for sale cheaply in Hong Kong and elsewhere. But it is the cottage level copying similar to the taping of records that is costing millions in lost sales for software firms.

Anti-piracy devices such as "dongles" have so far failed to deter the determined pirate. An Edinburgh software company, ESI, has just sold the rights for a system which is designed to confound even the most diligent of computer copyists.

"Copylock" has four built-in devices to block copying including a unique so-called fingerprint which cannot be copied onto a blank disc.

To date software houses have tried to write programs in coded ways making it difficult for computers to sort out in copied form.

An American company, Prolok, has also developed a fingerprint using a laser edged mark on the disc to foil any copy being made. But this, according to ESI, involves reducing some

of the data space on a disc. Dongles, plugs which are sold with a software package to identify the user, cannot always be plugged into every type of computer and their in-built code can be worked out by the committed user. Numerous dongles for numerous software packages and remembering which is which adds to the difficulties, according to Mr Ritchie.

Copylock, now sold to the U.S. Dysart, floppy disc manufacturer, has the following built-in systems to foil copying. ESI has already built the system into their artificial intelligence software package "expert-ease."

● A secret and scrambled fingerprint based on an identifiable physical characteristic of each disc which must be compared with another data code on the disc. A copied disc while accepting the code along with the program, would fail when it tried to match this with the fingerprint on the original disc.

● A scrambled program which can only be unscrambled when the fingerprint above is recognised.

● Code key, itself scrambled, to compare the fingerprint and the scrambled program.

● Possible serial numbers for each customer built into each disc so that a software house could spot any inquiries from users wanting further or follow-up information who were not purchasers of the system.

BANKING

'Pay by wire' service

A CASH management facility which enables corporate treasurers to make payments electronically has been launched by National Westminster Bank as part of its "Network" service.

It can be used in conjunction with CHAPS, the London clearing houses automated payments system making the transfer of cash a totally automated affair.

The new service utilises the Mark III data network, the largest commercial data network in the world, owned by Geisico, a U.S.-based computing services company.

NatWest corporate customers subscribing to the service have a computer terminal on their premises—possibly in the treasurer's office through which electronic payments can be initiated.

A payment command is

keyed in and sent via the Geisico network to NatWest's central computers. If the recipient is a customer of a CHAPS bank, the message then enters the CHAPS network and is despatched to its destination. The whole transaction takes only seconds.

If the recipient bank is not a CHAPS member—and most foreign banks in London are staying out because of a dispute over conditions of entry, final settlement has to be made manually through a bankers' payment.

The system has been undergoing five trials over the past two months. NatWest is one of the first UK clearers to offer electronic payment facilities although all the Big Four have cash management services with automated payment capacity.

ALAN CANE

DALE GENERATING SETS



Dale Electric of Great Britain Ltd.
Electricity Building
Finsbury, London EC2A 3DF
Tel: 0723 51441 Telex 5283

Computing

Nixdorf hotel/bar system

NIXDORF, the West German-based computer manufacturer has launched a restaurant/bar system, a specialised applications area which is attracting increasing attention from systems designers.

Called "Garcon," it runs on the manufacturer's \$812 point of sale device, either as a single terminal or with up to 12 terminals in a cluster.

According to Nixdorf, it can be easily enhanced to provide a complete hotel and restaurant management system with on-line access to RTO, a hotel management system from Nixdorf which runs on its \$860 computer.

A start of day procedure allows each individual terminal to be set up at the beginning of each session, staff signing on with their own ID codes.

Garcon Manager, a further variation on the theme, offers goods administration, menus, wine and receipt lists, profit and loss reports together with stock and management information.

The system is already in use in more than 100 hotels in continental Europe, Nixdorf claims. More on 01-570 1888.

Computers

Database

PRECISION Software has set up a new consumer division to develop programs for the Commodore 64 range of computers. Its principal product is Superbase 64 an information control system.

The company's consumer division has already signed up a network of six UK distributors for Superbase including Softel and Lightning Records. More details from Precision in London on 01-330 7186.

SIX YEAR PROGRAMME TO PREVENT TOXIC GASES

How to take smoke out of furniture fires

BY PETER MARSH

BRITAIN'S furniture industry may be two years away from perfecting a new production technique that could safeguard householders' lives in fires.

In blazes in houses, many lives are lost on account not of the direct impact of flames but of the effects of smoke and gases from burning furniture.

The polyurethane foam that forms the padding in sitting-room suites is particularly dangerous. When it burns, the foam produces not just smoke but poisonous gases such as carbon monoxide and oxides of nitrogen.

The British Rubber Manufacturers' Association, a trade group with 110 members, is almost at the end of a six-year, £550,000 research programme that aims to reduce the dangers.

The association wants to interfere chemically with the reaction that occurs when foam burns. This is so that harmless rather than noxious products are formed.

GMC Industrial Research, a company associated with London's Queen Mary College, is doing the work on the association's behalf. The company will take a share in selling overseas any technical expertise that the research produces.

When polyurethane foam burns, the main products are polyol and isocyanate. These are the two principal chemicals from which the material is made in the first place.

Isocyanate reacts further to produce the smoke and toxic gases which often cause deaths.

Workers at QMC Industrial Research have suppressed the formation of isocyanate by adding organic acids such as polycarboxylic acid. Instead of producing clouds of gases, the reaction leaves a solid char.

The workers now want to find a way of adding these acids

during the manufacturing process. In the production of polyurethane foam, polyol and isocyanate are mixed in the absence of air and then squirted on to a moving belt.

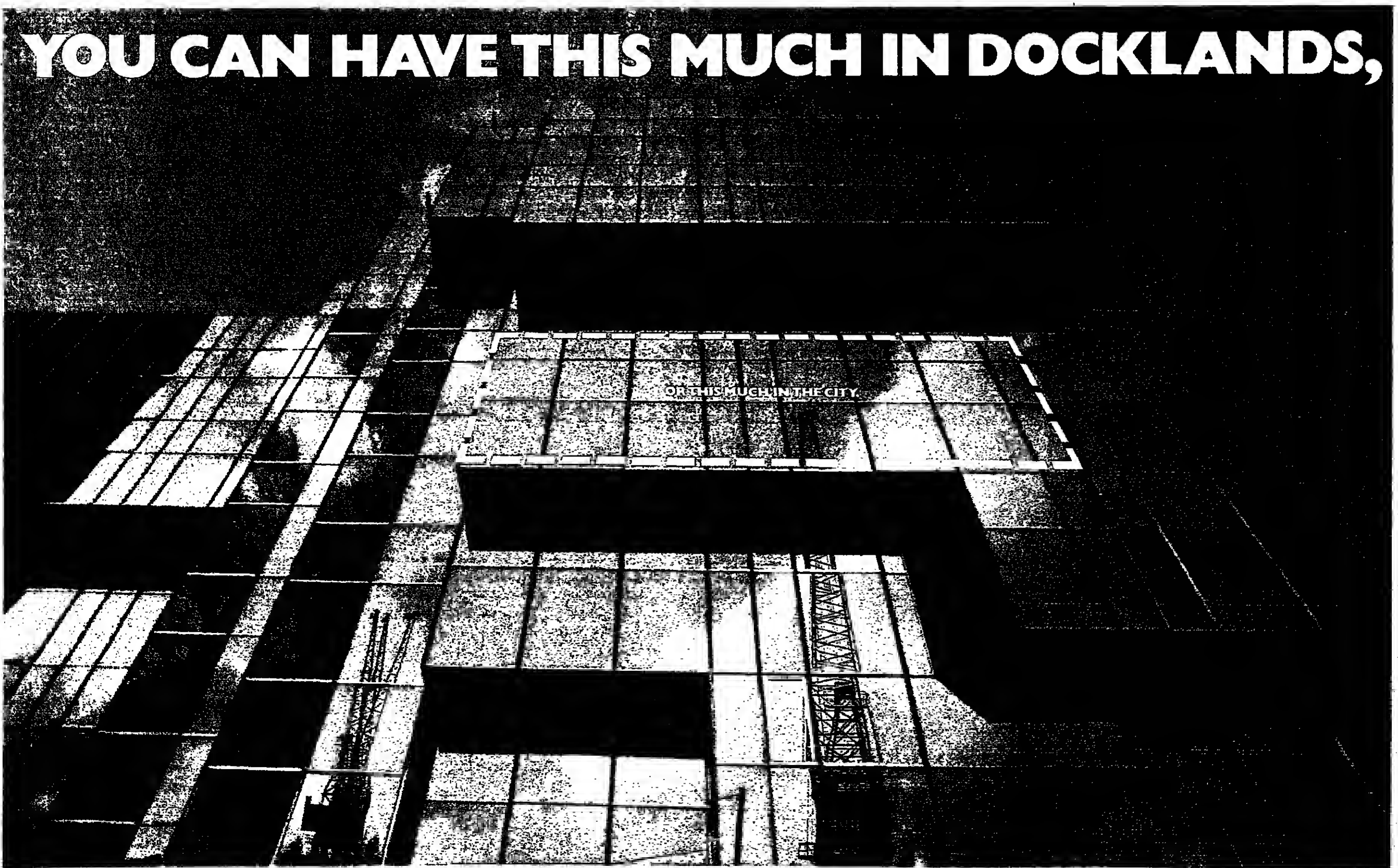
At this point they produce a swollen "loaf" of foam up to two metres high. The foam comes off the belt in a continuous stream and can be cut into pieces later.

The research on reducing the toxicity of the combustion products has occurred alongside other studies to decrease the ease with which polyurethane will burn.

Furniture makers can produce polyurethane which is virtually impossible to ignite. Such material, used for example in high-security prisons, is clad with special fire-resistant coverings or contains particular additives.

Most polyurethane that forms part of mass-produced furniture will combust only if ignited with a powerful source such as a burning waste-paper basket.

By law, furniture sold in Britain has to resist smouldering such as that due to a cigarette and dropped onto a seat cover.



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UK NEWS

Britain delays £1.5bn gas deal with Norway

By IAN HARGREAVES AND RICHARD JOHNS

PROVISIONAL terms for a gas deal worth more than £1.5bn a year have been agreed between British Gas and Statoil, the Norwegian state oil company.

Approval of the deal, however, is being held up in Whitehall because of UK Government worries that the import of up to 300 tonnes of gas a year from the Sleipner field could discourage UK offshore production, with serious effects both for tax revenues and British suppliers.

The Treasury, it is understood, has suggested that one way to compensate for the negative effects of Sleipner imports would be to allow, for the first time, gas from the UK continental shelf to be exported to the European Continent.

This would require an Anglo-Continental pipeline and, by linking the UK, the largest gas consumer in Western Europe, to the Continental grid, it would have a dramatic impact upon the European gas market.

The most immediate effect would be to give UK gas producers extra bargaining strength in negotiating contracts with British Gas, which the oil companies argue has been

allowed to underpay for UK gas because it has no effective competition as a purchaser. British Gas is strongly opposed to lifting export restrictions.

The terms of the Sleipner deal remain obscure, but are thought to involve a price of 30p to 32p a therm (or \$4.26 - \$4.54 per million BTU) at current exchange rates, compared with the 22p to 25p concluded last year for smaller UK contracts.

The Sleipner price would still be lower than the \$5.28 per million BTU set as the base price for higher quality Statfjord gas in a 1982 deal between Statoil and Ruhrgas of West Germany.

Sleipner's total reserves are put at 7 trillion (million million) cubic feet, which would allow the field to supply from the mid-1990s about 500 tonnes a year of gas, equivalent to about one quarter of British Gas's supply needs.

British Gas's argument is that it needs Sleipner gas to take the place of declining imports from the Norwegian Frigg field and that it will still, in a growing market, require all the gas likely to be available from the UK Continental shelf.

Executives take over Hoverspeed

By HAZEL DUFFY AND ANDREW FISHER

A TRANSFER of ownership of the English Channel hovercraft company Hoverspeed to a group of its directors and executives was announced yesterday.

The former joint owners, British Rail and the Swedish shipping group Brostroms, have disposed of the whole of their investment. The transfer of shares and debenture stock has taken place for a nominal sum.

The company has six hovercraft operating between Dover, Calais and Boulogne. It employs 600 staff, rising to 900 in the summer. It carried about 2m passengers and 250,000 cars last year.

Plans to increase capacity this summer, and the new owners said

they believed "there is a reasonable prospect that trading operations in the year to October 31 1984 will generate a positive cash flow of £1m."

The new owners said that the combined losses incurred by the previous owners had been reduced significantly in the year to October 1983 and its cash position had slightly improved.

Hoverspeed was formed in 1981 from the merger of British Rail's Seaspeed subsidiary and the Swedish-owned Hoverloyd. It lost £4m in its first year and has had problems caused by its reservations system, the failure of a French hovercraft to meet desired standards, and the recent financial difficulties of Brostroms.

Honda to make UK motorcycle plant study

By John Griffiths

HONDA confirmed yesterday that it is to proceed with a feasibility study for a UK motorcycle plant, according to Renter and Kyodo newsmagazine reports from Tokyo.

Mr Tadashi Kume, Honda's president, said the study would begin after an agreement was signed in March committing Austin Rover, the BI division, and Honda to joint production of a new executive car.

Mr Kume gave no further details of what type of motorcycle operation was envisaged.

Honda's confirmation that it is prepared to go ahead with the study, first mentioned to the Industry Secretary a year ago, could be seen as a political move.

The company hardly needs the capacity: all the Japanese motorcycle makers have been forced to cut back their output sharply as the result of over-optimistic sales forecasts. In 1982, the last full year for which figures are available, the Japanese makers planned to produce 18m machines, but were left with heavy stocks worldwide even after cutting back to 7.4m.

Motorcycle makers have received signals from Europe exports must be moderated. The EEC Commission has given an informal warning that Honda, Yamaha, Suzuki and Kawasaki could face unilateral action by some European countries still with a motorcycle industry, notably France, West Germany and Italy.

Honda already has two European plants. One is in Belgium, producing 50cc machines, the other in Italy making 125cc models. But their output is small compared with the total number of built-up imports to Europe.

The Belgian plant received 42,290 kits for assembly in 1982 - a big drop on the 68,000 of a year previously. The Italian plant received 8,500, down from 14,000. In the same period, 681,293 built-up machines were imported.

The UK could be seen as a logical choice for Honda to set up a plant.

Lynton McLain looks at the problems in store for the world's busiest airport

Heathrow needs room to move

PASSENGERS using London's Heathrow Airport this summer may have to embark and disembark in the cargo area or the uncompleted fourth terminal because the airport is expecting to handle more passengers and aircraft than it was built for.

The airport will be so busy at the height of the holiday season that airliner traffic this year is set to exceed the Government's proposed limit of 275,000 aircraft movements for next year when the fourth terminal is operating.

Heathrow is already the world's busiest international airport, with a total 28.7m passengers last year. The new problems have arisen because patterns of air transport forecast in the 1970s have proved to be in reverse at Heathrow, causing the airport to run out of runway capacity.

The British Airports Authority, which runs Heathrow, is so concerned about the impending chaos that it wants a government limit placed on UK domestic flights allowed to use the airport "to permit continued growth of international services."

UK airlines wanting to start ser-

vices in competition with established carriers such as British Airways are being hit by the problem. "It is an inescapable fact that both Heathrow and Gatwick are facing overriding capacity constraints which do not permit a completely free competitive environment in the south east," the BAA told the Civil Aviation Authority in its submission on airline competition policy.

British Midland Airways (BMA) starts its Heathrow Ballast service in competition with British Airways on March 28, but it has been offered take-off and arrival times varying from those it chose by between 10 minutes and two hours. British Airways currently has unlimited "slots" for its Shuttle service according to BMA.

Genair, a small independent airline providing feeder services from the regions to the south-east's airports, applied for unlimited frequencies for its Blackpool to Heathrow service over 10 years. It was licensed for only two flights a day over two years. The earliest slot it was offered for this summer for arrival at Heathrow was 2½ hours after the requested time.

These problems highlight the changes since the 1970s, when the trend was towards bigger jumbo airliners and each jumbo carried more passengers than previous airliners. Airport authorities planned on the basis of fewer aircraft movements, but more passengers.

The reverse has happened at Heathrow. The average passenger load on aircraft using the airport has fallen since 1981, but the numbers of passengers has increased, reflecting the growth in the number of smaller airliners using the airport.

Forecasts from the Heathrow scheduling committee, which arranges aircraft movements, show an increase of almost 10 per cent in airliner traffic this summer compared with summer 1983. Airline movements at Heathrow for the whole of last year rose by only 3.6 per cent over the previous year.

The change arises from a return to growth after the recession, the development of new feeder services and increased competition on UK domestic routes.

This is in line with the more liberal approach of the CAA and the Government towards licensing the

new, competitive services now under threat.

Total air traffic this winter and summer is expected to rise to between 377,000 and 287,000 movements, compared with 260,100 movements last year.

The committee, made up of airline representatives, wants the Government to review its 1965 limits, in view of the forecasts for this summer which "demonstrate" a significant degree of saturation.

The arrival and departure capacities of Heathrow this summer will be "saturated for seven and five hours of the day respectively," the committee says. To reach this position, the committee had to ask airlines to make adjustments in their planned schedules of up to three hours.

Vehicle congestion in the central area of the airport, serving the existing three passenger terminals, is expected to be the limiting factor in determining how many passengers can use the airport. "For the first time, the potential limit of 10,500 passengers an hour, associated with the threshold of vehicular congestion in the central area, has been reached this summer."

Thatcher firm on union ban at centre

By Our Political Staff

THE GOVERNMENT announced yesterday that there would be a full debate in the House of Commons on its withdrawal of trade union rights at the secret radio monitoring station at Cheltenham (GCHQ). The debate will be on Monday week - three days before the Government's ban comes into effect.

Mrs Margaret Thatcher, the Prime Minister, yesterday made a determined defence of the ban, despite suggestions for a compromise made on Wednesday by an all-party committee of MPs.

The major policy committee of the Council of Civil Service Unions yesterday decided that no concessions could be offered on two Whitehall proposals. These were that contact between the unions at Cheltenham and their national officers should be restricted, and that non-union staff at the centre should have equal rights of representation.

PSBR reduced to within £10bn target

By Philip Stephens

A LARGE surplus on the Government's in January finances has cut the public sector borrowing requirement (PSBR) this financial year to £7.5bn, suggesting that the final outcome will be comfortably within the revised £10bn target for 1983-84.

The improvement contributed to an easing of upward pressure on the money supply, with the most closely watched measure, sterling M3, moving under the 11 per cent ceiling on its target range.

In the first nine months of the financial year the PSBR was £10.1bn, but the Treasury said yesterday that in the latest month the public sector had made net repayments of £2.6bn.

The repayment reflected expected seasonal inflows of tax revenues, which are traditionally heavy in the last months of the financial year, coupled with a slowdown in public spending.

None the less it was higher than

forecast by most outside experts, and led to predictions by City analysts that, with only modest borrowing expected in the final two months, the PSBR will undershoot its target.

The Treasury claims the January figure is "consistent" with its target, but broker Simon & Coates predicted yesterday that the PSBR for the whole year would total only £9.2bn.

The Bank of England said yesterday that sterling M3 grew by 0.6 per cent in the banking month to mid-January - a considerable slowdown from the 1.3 per cent expansion in the previous month.

The pause reflected a much smaller contribution to money growth from the public sector and heavy net sales of gilts by the Government. It took the annual rise in sterling M3 since the start of the target period last February down to 10.7 per cent from 11 per cent in December.

LancerBoss in parts deal with Komatsu

By Peter Bruce

LANCERBOSS, the specialist UK fork-lift truck manufacturer, will begin importing partly finished Japanese lift trucks into Britain this year.

The company said it had signed a deal with Komatsu and initially would be importing components for 300 machines.

The deal covers trucks of up to three tonnes lifting capacity. It will sharpen already stiff competition at this end of the market.

It also opens the way for Japanese manufacturers to shore up their falling share of the UK truck market. LancerBoss would not put a price on the deal. It said Komatsu Forklift, the second biggest Japanese manufacturer, had agreed to distribute LancerBoss machines in Japan.

It is believed that LancerBoss will import Komatsu chassis, transmissions and engines, and add peripherals, including a cabin counterweight and lift masts.

Airship Industries wins £1.5m JAL sale

AIRSHIP Industries has won its first commercial sale - a Skyship 500 to a subsidiary of Japan Airlines of £1.5m.

Mr Nick Greenwood, the UK ventures marketing director, said yesterday: "We are past the bad news, and are over the delays. Things are beginning to look very interesting."

The JAL sale marks Airship's second deal in Japan. In November last year, it leased a Skyship 500 to Denisu, Japan's largest advertising agency, in a deal worth £1.05m. This airship will provide aerial television coverage of the Olympic Games in Los Angeles this summer.

The high cost of developing its Skyships - first the 500 series, and then the more sophisticated 600 series - and delays in winning an aerial work certificate, have led to a heavy drain of cash out of the company. In December last year, it admitted losses for the 14 months to March 31 1983 of £3.69m.

THE OFFICE of Health Economics, a London-based research group, said yesterday it had incorrectly interpreted government statistics on tranquilliser use. Last week, it said consumption in the UK fell by about 15 per cent in 1983. The comparison was faulty because a class of anti-emetic drugs had been dropped in 1982 from the tranquilliser category.

The OHE said the real drop in use last year was closer to 4 per cent. Between 1978 and 1983, consumption had dropped by 19 per cent.

THE CITY of London office market is showing distinct signs of revival after two years of weak demand. Some estate agents are predicting rent increases of up to 10 per cent during 1984. Prices rents stand at about £31 a sq ft which, together with property taxes, makes City of London office accommodation the most expensive in the world.

THORN EMI Dynatel has signed an agreement with C-Cor Electronics of Pennsylvania to manufacture and distribute the American company's range of cable television equipment in the UK and other European markets.

The deal is an important addition to the British group's hardware and software capability in cable television.

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THE CRISIS IN LEBANON FINANCIAL TIMES REPORT

Back to square one—but with crucial differences

By Patrick Cockburn

THE INSURRECTION of February 6, the day when Moslem militiamen took over west Beirut from the Lebanese Army, marked the end of an era which started with the Israeli invasion of June 6 1982. President Gemayel's authority is now confined to east Beirut and the narrow Christian enclave to the north. The attempt to set up a Lebanese state dominated by the Christians and closely allied to the U.S. and Israel has failed. The U.S. marines, the key symbol of American support, are being withdrawn.

A new balance of power is emerging, similar in some ways to Lebanon as it was before the Israeli invasion, but with certain crucial differences. Syria has reasserted its position as the predominant foreign power in Lebanon. The Druze and Shia communities, each with its own heavily armed and well organised militia, now dominate Moslem politics in the country. The Palestine Liberation Organisation has gone.

The Christians and the Phalange Party which has come to dominate their politics, are licking their wounds. The last two years have been disastrous for them. The initial euphoria which greeted the expulsion of the PLO by the Israelis is replaced by despair.

Christian hopes were based on the assumption that they had a strategic long-term alliance with the U.S. The marines, based near Beirut Airport, and the sixth fleet offshore were a symbol of a new protectorate. In the hills above Beirut, Israeli troops and tanks looked solid allies.

The policies pursued by President Gemayel in his first six months in office assumed that the new balance of power in Lebanon was permanent. Little effort was made to conciliate the Moslem communities and members of the Phalange Party occupied key civil and military posts. Syria was

thoroughly alienated by the May agreement between Israel and Lebanon and established the National Salvation Front as a platform for the Lebanese opposition.

In the first six months of last year the Government seemed blind to the consequences of these developments.

The destruction in April last year of the U.S. embassy on Beirut seafont was the first warning of the ruthlessness of the Syrian response to its

In this special six-page report FT Middle East experts report on the economy, on living conditions in Beirut, and on the new balance of power among the ethnic groups, Israel and Syria.

defeat the previous year, but the limited nature of Israeli and U.S. involvement in Lebanon only gradually became apparent.

Two key events made plain the degree of foreign support upon which President Gemayel could rely. The withdrawal of the Israeli army from the hills overlooking Beirut back to the Awali in September showed that Israel had abandoned its bid to become the predominant power in Lebanon. The broader ambitions of General Ariel Sharon, the Israeli Defence Minister, who launched the invasion of 1982 were abandoned. Israel's alliance with the Christian Phalange Party was a tactical matter.

The takeover of the Chouf and Aley Mountain regions by the militia of the Druze Community, heavily backed by

Syria, was inevitable once the Lebanese Forces—the militia of the Christian Community—were robbed of Israeli support. In a few days the Druze, under Mr Walid Jumblatt, captured the town of Bhamdoun and linked up with the Syrian army.

The other key event last year was the failure of the U.S. to react against Syria or Syria's allies in retaliation for the suicide truck which killed 241 U.S. marines on October 23. The limits of U.S. involvement in Syria were exposed. It became clear that, in the immediate future, neither the U.S. nor Israel was prepared to fight a full scale conventional war with Syria.

The importance of these decisions is that it left Syria and its allies largely free to establish their predominance over most of Lebanon. Damascus has said that it wants to avoid a war with Israel while it is strategically inferior. Confident that Israel will not fight, the Syrians are free to expand their influence.

After Saudi mediation had ended the mountain war the Druze militiamen dominated the ridge line overlooking the capital. They and their Syrian backers controlled 400 guns and multiple rocket launchers in the mountains behind them. The only way their grip on the capital could be broken, if full scale foreign intervention was ruled out, was by building up the Lebanese Army. This was a main theme of American policy. Infantry and tank battalions were trained at speed and plans made to secure and expand government control over greater Beirut.

But the army is not separated from Lebanese society. Some 57 per cent of its 37,000 men are Moslems and perhaps 30 per cent are Shia. Even with full American support the use of the army could only really be effective



Triumphant anti-government guerrillas after taking control of West Beirut last week. The insurrection marked the end of an era

if a political consensus was first created. This did not appear to be sufficiently appreciated by President Gemayel's Government or in Washington.

At the beginning of this month a military initiative by President Gemayel was expected, starting with an attempt to close the Chouafite Gap—the tongue of territory linking the Druze in the mountains to the independent Shia enclave in the southern suburbs of Beirut.

In the event it was Amal, the Shia paramilitary movement, which attacked first. The army shelled the southern suburbs. Mr Nabih Berri, the president of Amal, broke with President Gemayel, the Cabinet resigned

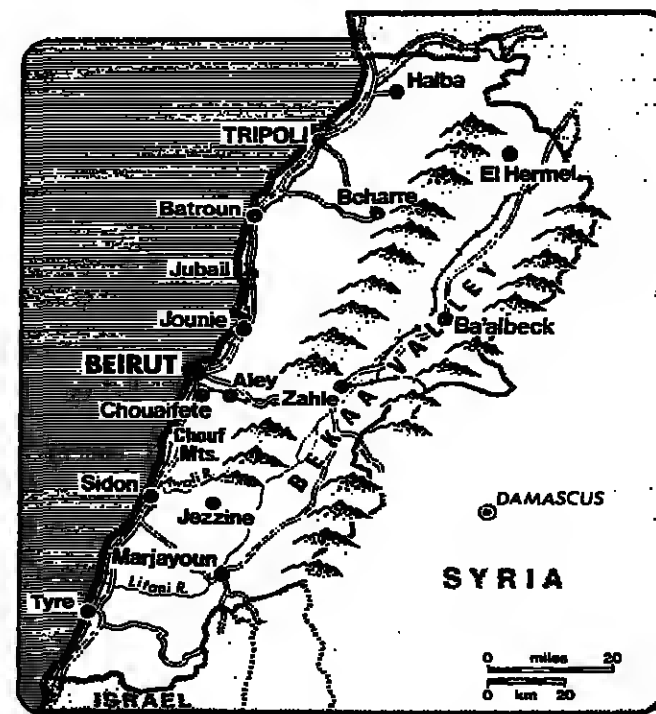
and some units of the army defected. In a single day of fighting West Beirut fell to the militiamen.

As a nation state Lebanon no longer exists. The east and north of the country is held by the Syrians, part of the mountains and two thirds of the capital by Moslem militias, the Christian enclave by the Phalange and the army and the south by the Israelis. The political reality of Lebanon is now a mosaic of armed communities and it is to these, not the nation, that ultimate loyalty is given. Any modus vivendi in Lebanon needs to recognise this fact.

The old six to five distribution of posts within the Government

and administration in favour of Christians no longer has any relation to the balance power within Lebanon. The Shia are now the largest and most powerful sect, the Sunni have less influence, the Druze are in total control of their part of the mountain. Equally significant there is no state machine within which to share power. President Gemayel admitted to holding only 10-15 per cent of Lebanon even before he lost West Beirut.

It is significant that Syria and the National Salvation Front is not asking for President Gemayel's resignation, but the most important need is for a real ceasefire to be agreed and, if possible, policed by the UN.



Otherwise diplomatic moves will be overtaken by incidents escalating into fullscale war. This will be possible only if the Syrians ask the Soviet Union not to use its veto at the security council opposing the use of UN troops, if they can be found for such a dangerous mission, in and around Beirut.

Some such move is also needed if there is to be any chance in the future of arresting and reversing the economic decay of Lebanon. Standards of living have dropped since the start of the civil war in 1975, much of the money entering the country is in the form of remittances from the 300,000 Lebanese who work abroad out of a labour force of 1m. There is little aid and the weapons for the army were paid for in cash.

To fund itself the Government has borrowed from the 81 Lebanese banks leading to a sharp rise in the public debt. The closure of the schools and the institutions of higher education for an extended period means an inevitable drain of skilled and well educated Lebanese going abroad. They have little enough reason to stay. Industry is at a standstill and Lebanon is no longer a single market supplied from Beirut.

If anything is to be done then the initial aims should be very modest. A national Government of any real authority is out of the question for the moment. A more stable equilibrium can be created between the different communities but probably only if the U.S. talks to the Syrians.

The Israeli position is somewhat different. It is facing continual guerrilla attacks behind its front line which inflict politically damaging casualties. In Israel itself there is no desire for an all-out war with Syria and the administration of Mr Yitzhak Shamir as Prime Minister is not expected to last long.

In any case the Israelis have achieved the main objective of their 1982 invasion. The PLO is no longer a political force in Lebanon. The Syrian triumph is one with strict limitations and Damascus would find it difficult, if not impossible, to absorb Lebanon. Its victory has been largely defensive. The hopes of Mr Menachem Begin, the then Israeli Prime Minister, and general Ariel Sharon, his Defence Minister, that they would gain a friendly Christian-run state on their northern borders have long disappeared but Syria also knows that it would lose a war with Israel.

Within Lebanon the most positive step by President Gemayel and the Phalange Party would be to understand the lessons of the last six months, however unpleasant they may be. Neither the U.S. nor Israel will intervene in sufficient strength to change the balance of power in their favour. The Christians need to reach an understanding with their enemies. A sense of self-preservation alone should dictate this and the dream of a foreign protector abandoned for the illusion it has always been.



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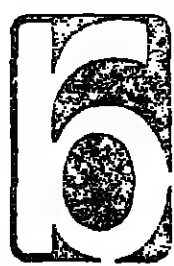
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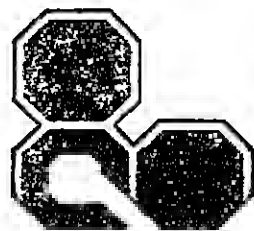
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Twenty five years in the life of a tragic nation

AMERICAN marines first stormed ashore in Beirut on July 15, 1958, the day after a revolution had overthrown the monarchy in Iraq. They were called in by then President Camille Chamoun to put down an uprising inspired, it was said, by Syria and Egypt which then formed the United Arab Republic.

The U.S. said it had intervened to preserve "the independence and integrity of Lebanon which we deem vital to the national interest and world peace." When the marines withdrew on October 26, political stability had been re-established and Beirut increasingly won a reputation for being the banking centre and playground of the Middle East.

But by the early 1970s, the political, economic and social tensions of the country were deepening, exacerbated by the presence of Palestinian guerrilla fighters. In 1975 the civil war erupted and in 1976

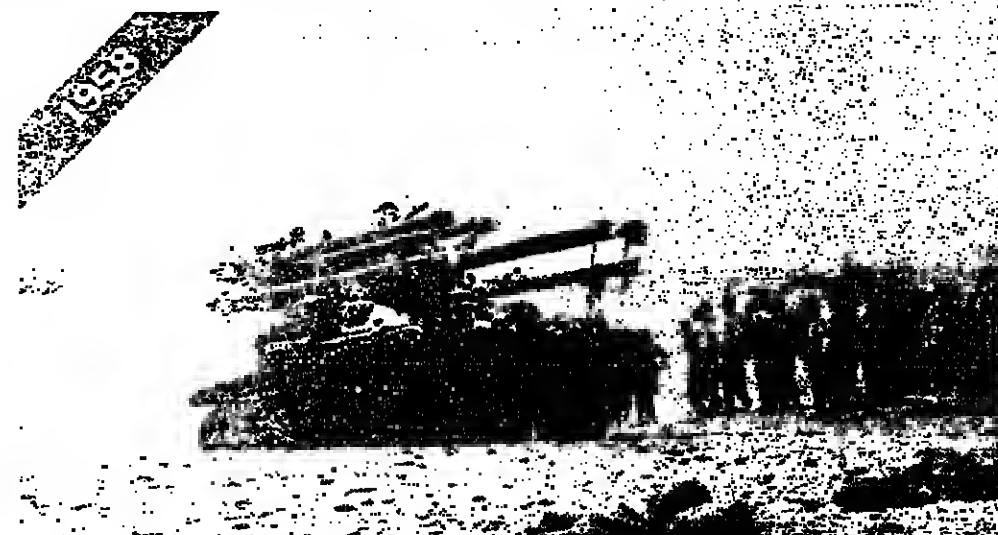
Syria intervened militarily on the side of the Christian Maronite community which looked to be facing possible defeat.

An uneasy military stability returned but with the PLO becoming a state within a state and using south Lebanon to launch attacks on Israel, it was not to last. Israel invaded in March, 1978, to push the PLO guerrillas back from the border and caused a flood of refugees to head north to Beirut.

In June 1982, Israel invaded again to spark off the present crisis. The U.S. marines returned in August and September, 1982.

It was 13 months later that a suicide truck driver detonated a bomb at their headquarters killing 241.

Last week President Reagan announced that he was to withdraw the marines, but this time there was still little sign of any long-term political stability.



The first American intervention in July, 1958



Lebanese refugees on the move after the 1978 Israeli invasion

Patrick Cockburn examines the grim prospects for a fragmented country.

Economy runs into a blockade

"THE ECONOMIC system is dissolving," said an economist in Beirut as he examined the consequences of the last six months of fighting. "If present conditions continue for another two or three months we will suffer from unemployment and bankruptcies on a mass scale."

The economic situation was bad in 1982 before the Israeli invasion. The national income is estimated to have dropped by 20 per cent since 1974, the last year of normality before the start of the civil war. There was a brief resurgence in the first six months of President Amin Gemayel's Administration but in the months since the economy has nosedived.

This is hardly surprising. Greater Beirut, where half the population of Lebanon normally lives, is suffering from an economic blockade. As a market Lebanon is now fragmented. The Bekaa Valley, indeed the whole east of the country, is served by only one mountain road which winds through the Syrian lines and in winter is often blocked by snow.

Israel is increasingly supplying south Lebanon behind the Awali River. For several months at the end of last year cars and commercial vehicles took six or seven days to pass the checkpoint on the bridge north of Sidon. Transportation costs have increased 200 per cent according to a report by Sidon Chamber of Commerce and Industry.

Goods from Beirut can get in Tripoli, Lebanon's second largest city, but here again

trade is disrupted by the fighting. The war between the pro- and anti-Yassir Arafat factions of the Palestine Liberation Organisation in and around Tripoli led to the complete disruption of economic activity last November and December. The same fragmentation

Industrial area is at centre of fighting

takes place within Greater Beirut. The industrial area to the south of the airport at Choueifat provided some 40 per cent of the country's industrial exports. It is now at the centre of much of the fighting and production is minimal; it is remarkable that anything is being produced at all.

Most of these industries could start working again if a reasonable degree of security were to return but Lebanon's industrial capacity has been badly hit since the civil war. Textiles, garments, leather, shoes, furniture have been progressively run down and today the shops in Beirut are overwhelmingly filled with foreign goods. President Gemayel's Government has had some success in clamping down on the smuggling into illegal ports up and down the Lebanese coast which used to prevent tariffs protecting local industry.

The Lebanese standard of living would have been worse hit by the civil war if it had not coincided with the oil boom

in the rest of the Arab world. Lebanon was robbed of its ability to benefit fully from this, but the remittances of the 300,000 Lebanese working outside the country out of a labour force of 1m became a principle buttress of the economy amounting to perhaps 40 per cent of the national income.

Total remittances, including the repatriation of Lebanese businesses working in the Gulf, were about \$2bn in 1981 but they are slipping as the fall in the price of oil makes itself felt in the oil states. This year remittances may be down to around \$1.2bn, further reducing consumer demand. Remittances for investment purposes has almost dried up.

Although job and business opportunities may be diminishing in the midst of the chronic and dangerous insecurity of the last six months is leading to a further exodus of Lebanese. Entrepreneurs and those with high technical qualifications now have little expectation of their political future improving. Those with capital have no incentive to invest.

Palestinians, in particular, have been leaving when they can find anywhere to go. Many of this 350,000-strong community, highly educated and a major source of remittances flowing into Lebanon, has been looking for a more secure place to live since the Israeli invasion. The economy also benefited from the spending of the Palestine Liberation Organisation which ran its own welfare system in the camps.

With steadier oil prices, remittances flowing into Lebanon may increase again but the chronic insecurity makes

91 banks affected by dire state of the economy

the country less and less attractive to returning Lebanese emigrants. In addition to the chronic insecurity the country's infrastructure, never very advanced, has deteriorated markedly in nine years. Roads were always appalling, the telephone system bad and the education system deteriorating compared to other Mediterranean states. To this is now added only six hours of electricity a day and an 8 pm curfew.

The dire state of the economy as a whole inevitably affects the 91 banks in Lebanon. Many loans are clearly uncollectable and there is little borrowing for investment. The last big real estate deal was the sale of the Moscow Narodny Bank early last year.

Ironically, the inability of the banks to find prime borrowers in the private sector has benefited the Government. With very low tax and customs revenues it has relied primarily on borrowing from its own banks to fund its expenditure. The public debt has risen from L2.4bn in 1978 to L2.23bn today.

Most of this borrowing is in

the form of short-dated Treasury bills and for the moment the Government will continue to rely on them to fund its expenditure. But the banks are beginning to reach the limit of what they have available to lend the Government and real problems will begin in nine months to a year.

The Government needs to borrow these sums because of the steep increase in its military spending. The army is being wholly re-equipped and expanded. Payment of the 37,000 troops in Lebanese pounds is not a problem but some \$1.2bn was spent last year for new equipment, most of it purchased in the U.S. Another \$1bn will be spent this year in foreign currency and then the figure will drop to well below \$500m.

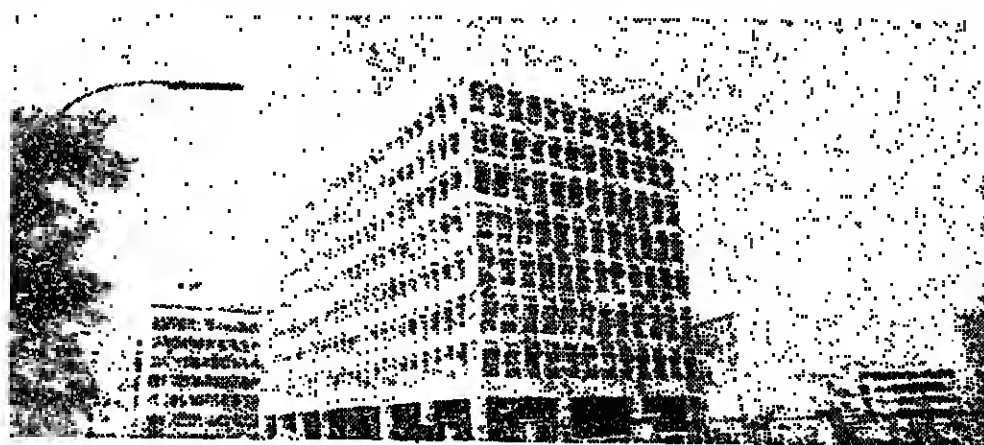
It is a matter of concern to the Government that it has failed to get extensive credits or grants from the U.S. administration to cover these sales. Further fighting will increase the above figures. The three weeks war last September cost \$220m in ammunition alone.

There is little aid from other sources. Even if there was a political settlement acceptable to the other Arab states, aid from the Gulf would be limited because of the fall in oil revenues.

This lack of funds and the insecurity means that little active work is being done to implement reconstruction plans. Mr Rafik Hariri's company is continuing its reconstruction work in the old commercial quarter of Beirut which was burned out in the civil war. As its fine streets re-emerge from the rubble they form pleasant contrast to the tatters of much of the rest of Beirut.

Other schemes must wait, like everything else in the economy, for some political equilibrium to emerge. This does not have to be a final settlement but the Lebanese, no matter how injured to violence, do need a minimum of security to do any productive work.

The continuation of the present political impasse will mean that Lebanon will revert to a level of skills and occupations typical of much of the Third World. The educated will move elsewhere to work and to educate their children and the loss of this human capital will not be reversible.



The inability of the banks to find prime borrowers has benefited the Government. Above: the Central Bank of Lebanon

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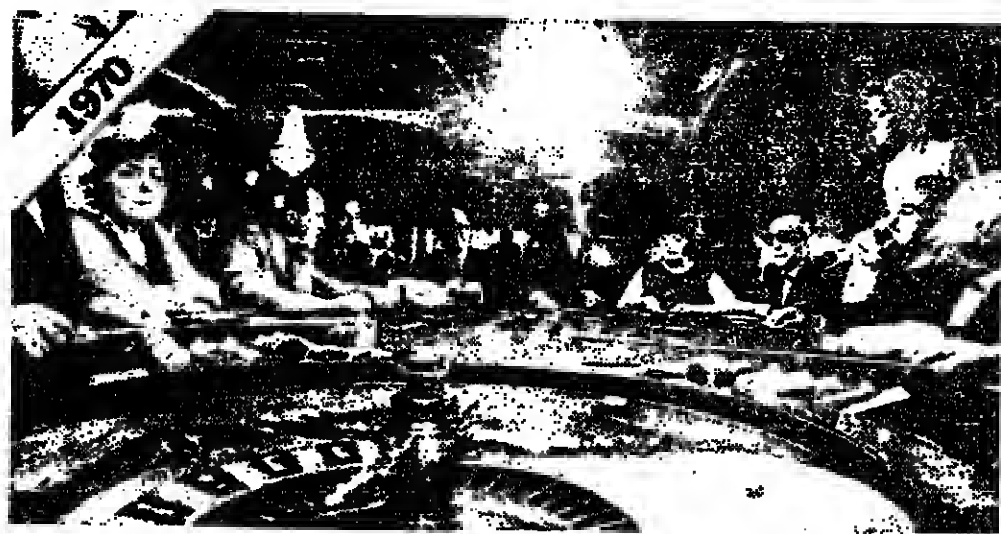
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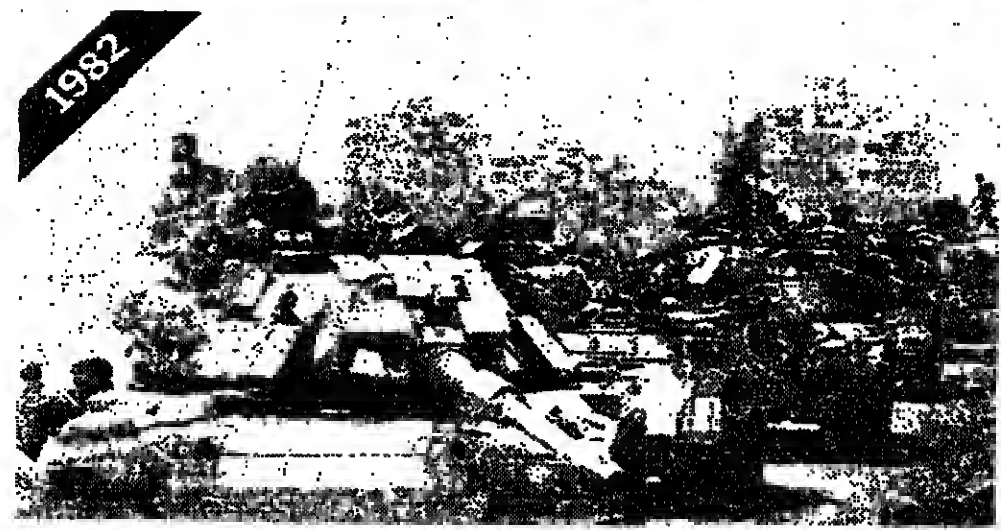
THE CRISIS IN LEBANON



Beirut as the playground of the Middle East



Moslem guerrillas in the second civil war



Israeli troops head towards Beirut again



The carnage after 241 U.S. marines were killed last October

Nora Boustany reports on the strain of life in Beirut

The hour by hour battle for survival

AN ORDINARY life has become a luxury, if not an impossibility, in Beirut.

Anxieties, danger and fear of death leave one with little time to waste. Survival is a perpetual concern to some, a habitual challenge to others.

Terrible visions of car bombs and persistent tension from hazardous shelling is part of the furniture cluttering the minds of most Lebanese. Rushing to a shelter, basement or corridor at the first thud of rockets or mortars has become a reflex response.

News reports from five radio stations every 15 minutes blare out of each home, each car, shop or street trader stand. Nobody can shut himself off from the broadcasts, equivalent by Lebanese standards to weather bulletins.

The hum of power generators buzzes in every other boutique, office, ice-cream parlour or beauty salon. Noise is an inconvenience with which one learns to live. Direct physical hardships have become part of one's normal setting.

Can one now fall asleep to the sound of gunfire—it is the silence that disturbs me. When it is quiet you can't help but worry about the next event. When it is happening you learn how to block it out," said a Beirut resident.

Most psychologists agree that people can stand stress and strain for a while, but here in Beirut the emotional reservoir for adjustment is wearing thin.

A leading Lebanese psychiatrist, Dr Abdel Rahman Labban, says that there is more self-medication now. Sedatives, sleeping pills and alcohol are used. Though alcoholism has never been a problem in Lebanese society, drinking has become more frequent and is used as a tranquiliser, he adds.

What is often referred to as the "resilience" of the Lebanese is more of a cliché than a reality these days, comments a former insurance salesman.

When a big crisis sets in, with international dimensions and a total breakdown of law and order, concern about immediate comfort, food, gasoline and other supplies becomes paramount. "Everyone is living hour by hour," said Tammam Salam, head of the Muslim Maqassad Charity Organisation and son of the former Prime Minister, Saeb Salam.

Long queues for petrol, and lines in front of bakeries, con-

voys of refugees lugging their mattresses—such scenes may make front-page pictures in other countries, but in Lebanon they are commonplace. Photographs of the misfortunes of others are buried inside newspapers. The threshold of violence has become so high that it now takes truck bombs, not car bombs, and collapsed buildings and neighbourhoods to get on the front page.

A recent grim joke reflects a mood of cynicism and helpless resignation to adversity. It is about a Lebanese resident who went to see a fortune teller in 1975, when Lebanon's nightmare of warfare and conflict began.

"What is 1976 going to be like?" he asked.

"It will be much worse," she told him.

"And the next year?"

"It will improve somewhat, but politicians will be killed and things will collapse at the end."

"What about 1978?"

"Disaster. There will be battles with the Syrians, and the Israelis will push into South Lebanon," she prophesied.

"And in 1979?"

"Calamity. The success of the Iranian revolution will have grave consequences for Lebanon."

"And then?"

"Oh, 1980 will certainly be unpleasant. The Christians will fight among one another, a conflict will begin between Shiites and Palestinian guerrillas."

"The year after?"

"Don't hold your breath—there will be car bombs galore, diplomats will be kidnapped and assassinated."

"Will there be a 1983?"

"Certainly, a fatal year. A mountain war—Lebanon's last chance for co-existence will be shattered, the Syrians will fight the Palestinians."

The resident paused and wondered whether there was any point in asking further. Then he tried for the last time.

"Tell me quickly about 1984," he urged the fortune teller.

"Ah—don't worry. By then my friend, you will get used to all this," she assured him.

Such humour is a way of alleviating the tension.

When an 8 pm to 6 pm shoot-to-kill curfew was imposed on Beirut, it threw people into deep depression. The outlet of socialising, visiting friends, going to restaurants, or just taking walks for the less-privileged, was taken away.

Power rationing, because of damaged cables from the continuous fighting around Beirut, plunged the area into darkness.

No electricity meant no television, no video and no reading light, unless you could afford a generator.

Batteries, re-chargeable neon lights, candles, flashlights as well as gas lamps became essential consumer items. An anecdote on the curfew is often told: a policeman, standing at a checkpoint, shot at a passing motorist at 7.45 pm.

"Why did you do it? There are 15 more minutes," reproved another security officer.

The policeman replied: "I know where that man lives. By the time he gets there, it will be five past eight."

This joke has had mixed reviews. It makes some people laugh, but one woman, waiting for her husband to return from work, burst into tears upon hearing it.

The hazardous nature of city life has helped residents to develop a special kind of intuition and skill on how to make it across town. Diplomats, businessmen and journalists who have to venture into the streets often trade danger-minimising techniques.

"At every checkpoint, I smile innocently and wave. The chap standing there automatically raises at least one hand away from his gun to wave back," mused Perry Nolan, an Australian diplomat, who claims he is now quite used to Beirut's unpredictable harrows and daredevil driving.

"Walking through the streets of Beirut is like playing Russian roulette," says a Lebanese storeowner who keeps his family in Cyprus.

"There is one difference—you do not control the trigger," Ghassan Chahin says he travels back and forth to Cyprus when he can, provided the airport is open.

So far, banks, service-oriented businesses and even certain schools have managed to remain open by decentralizing and expanding into several branches in and outside the capital, thus eliminating the chances of inaccessibility.

The most stoic and courageous Lebanese are the many rescue workers and ambulance drivers working for the Red Cross or for civil defense outfits.

Hisham Sibiani, a girl of only 17, says she has no time for fear: "You think of only one thing—getting to your destination and saving as many people as you can."

At least 21 young rescue workers have been killed over the past year. There now remains little respect for human life or relief activity here. An ever-growing high number of teenagers and university students are enlisting.

"Some employees are constantly on the verge of collapse, but others become almost superhuman. There is no in-between," Beirut businessman

"These young men and women are driven. They believe they can best escape death by not worrying about their physical safety, but by saving others," observes a doctor working in the emergency wards of the American University of Beirut Hospital.

The more passive repress their anxieties which then find expression through other channels. Dr Labban observed that, in the last two years as peace plans failed and crises developed with increasing frequency, appointing political initiatives, civilians are in need of psychological care.

"Psychosomatic effects are increasing. Heart disease, gastric disturbances and ulcers are very frequent among younger generations now," he adds.

Daily claims of imminent reconciliation and dramatic visits by statesmen have lost their soothing influence.

To the educated and professional classes, attention within one's own sector or among others has made psychological survival much more strenuous.

A tug-of-war between the sectarian and national self-concept has engendered a malaise. People feel that they are constantly being tested.

"Have I said the right thing? Do I seem neutral enough?" are nagging questions.

"Victims who cannot subscribe to a neat arrangement along demographic or confessional lines have to work their way through social barbed wires," according to Dr Labban.

Polarisation, suspicion and chronic distrust among sects is stressful that people tag of "a miraculous coup de force or some surgical (military) solution."

Even well-red ideologues are drawn into violent acts, even though immoral, to ease their tension. Lebanon appears trapped in a contest of aggression. The use of force has become an acceptable norm to put an end to Lebanon's prolonged nightmare. Aggression has become one of Lebanon's most feared escape mechanisms.

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THE CRISIS IN LEBANON

Patrick Cockburn and Stewart Dalby discuss the five major ethnic groups on this and the following page

Why the Druze are in confident mood



Wazzan: he resigned as Prime Minister

Sunni lacking leadership

THE SUNNI Muslim community in Lebanon were among the main losers in the Israeli invasion of 1982. They lost their main political and military ally with the departure of the Palestine Liberation Organisation. They were faced with Israeli rule in Sidon, predominantly Christian rule in Beirut and anarchy in Tripoli—their three main centres.

In the days since the PLO's departure, it has proved difficult for the Sunni to adapt to changed circumstances. They are without a strong or coherent leadership, they do not have a real territorial base in the sense that the Druze have Aley and the Chouf, and their militia is weak with corruption.

All the running for the Lebanese Muslims has therefore been made by the Druze and the Shia over the last year. The Sunni establishment were the last Muslim leaders to sever their links with President Amin Gemayel. They still had a certain stake in the system in that Prime Minister of Lebanon has to be a Sunni but Gemayel provided little enough for them.

Adhesion

Yet for President Gemayel the adhesion of various Sunni leaders or at least their tacit support was vital for his future. They gave him at least an appearance of running a government which was not an extension of the Phalange Party. The resignation of Mr Chade al Wazzan, Prime Minister since 1980, was the moment when the regime began to fall apart.

It is not clear, at the time of writing, who will replace Mr Wazzan, but there is no Sunni leader similar to Mr Wazzan in his control of the Druze or Mr Nabih Berri among the Shia. Mr Bach Salameh—aging patriarch of the Sunni and capricious for money—dispensed to the Sunni by Saudi Arabia and for long friendly to Gemayel—is today a somewhat isolated figure.

Mr Rafik Hariri, the businessman and a close confidant of the Saudis, has become the interlocutor between the Saudis, the Syrians and the Lebanese. A Sunni from Sidon, his influence has steadily increased. In the north Mr Rashid Karami remains powerful in Tripoli because of his traditional position there and his links to Syria. He is a member of the National Salvation Front along with Mr Jumblatt and Mr Salehman Frangieh.

Resignation

The uprising in west Beirut on February 6 owed a lot to Mr Wazzan's resignation, but on the streets it was noticeable how far the running was all made by Amal, the Shia militia, and the Druze. The Maronites were little seen, unlike other Muslim groups they had an investment in power of the state and the effectiveness of state and official military machinery which limited their desire for an autonomous militia force.

The Sunnis make up 25 per cent of the army. According to diplomats in Beirut, their shift away from President Gemayel was vital to the change in his fortunes.

The Sunni leaders must now look to Damascus and accommodate themselves to what appears at the time of writing to be a Syrian triumph. Figures like Mr Selim al Hoss are expected to emerge as a new Prime Minister and the road to Damascus is likely to become well trodden.

The problem for the Sunni is not only the lack of a single credible party or militia like the Shia, Druze or Maronites but that the Shia are increasingly numerous in west Beirut. Areas that were once solidly Sunni now have posters of Shia heroes like Imam Musa Sadeh.

IN THE mountains to the east of Beirut the Druze community has created what amounts to a separate state over the last six months. The Christian militiamen who came in on the heels of the Israelis were defeated last September and Christian villagers, caught up in the rout, have fled. In the thick, green forests which cover the sides of some of the mountains the blackened ruins of Christian villages are inhabited only by Druze fighters.

The Druze also suffered losses in the war. Their wounded may have numbered as many as 1,500 say diplomats. The town of Aley on the ridge line overlooking Beirut has suffered heavily from sustained artillery bombardment. The large township of Chouaifete on the southern outskirts of the capital is largely Druze and a strategic point which Druze and the Lebanese army battled to hold.

But despite the casualties and material damage the Druze community is in a confident mood. It is more united than ever, it is closely allied and heavily supported by Syria and it is in a position to defy its enemies. To many people's surprise, Mr Walid Jumblatt has made himself paramount leader of the Druze, occupying an even stronger position than his father whom he succeeded on his assassination in 1977.

It is a measure of the degree to which Mr Jumblatt has seized the initiative that there can be neither peace nor war in Lebanon without him. It is he and his Syrian backers who control the 400 guns and multiple rocket launchers in the hills above the capital. They can close the airport or bombard the U.S. marine base at will.

Yet Jumblatt is not the Syrian puppet his enemies often portray. He is clearly dependent on them for arms and back up but the Syrians also need him badly. They cannot do without him. The Druze were the key through which Syria returned to its position of pre-dominance in Lebanon. The National Salvation Front, to which Jumblatt belongs, together with such Lebanese notables as former President Suleiman Frangieh and former

Prime Minister Rashid Karami, only has real influence because of the Druze and their militia-men.

This resurgence of the Druze was born of desperation. They, like the Maronite Christians, used the mountains of Lebanon as a refuge against persecution for hundreds of years. Their religion, a secretive esoteric brand of Islam, bound their community closely together. Their sense of solidarity is strong.

Less numerous than the Maronites or the Sunni they were still able to form part of the Lebanese ruling elite up to the 1975-76 civil war. Mr Kamal Jumblatt, Walid's father, was the leader of the opposition coalition of Moslems, leftists and PLO, called the National Movement, whose success was thwarted by Syria.

Jumblatt: paramount leader

In many ways Walid is a more conventional figure than his father. By the time he was forced unwillingly to take over leadership of the Druze—the leadership is hereditary and has long been held by the Jumblatt or the Arslan family—Lebanese politics had regressed even beneath the primitive levels of development existing before the civil war. Confessional allegiance and alliances with foreign powers had become the political reality for Lebanese. Constructive policies had withered in the civil war.

The Druze did not fight against the Israeli tanks sweeping through their mountains to cut the road linking Beirut to Damascus. The PLO later spoke

bitterly about this but there was little the Druze could do to stop the Israelis. In any case they have always had links with Jerusalem and Druze fight in Israel's army—giving Mr Jumblatt a useful diplomatic card to play the following year.

The Druze had not played a significant military role in the civil war despite their political influence. Over 170 Christians were killed in 1977 after Kamal Jumblatt's assassination, but there had been no sectarian massacres in the mountains since 1980. Now the Lebanese Forces—the Christian militia—moved in.

Almost immediately fighting began. Aley was taken back by the Druze in early 1983 but the Israelis still had a strong presence in the mountains. The real offensive came only when Israel fed back to the Awali River north of Sidon. The Druze were ready to attack an enemy which continued to underestimate them.

After a few days fighting they assaulted and took the town of Bhamdoun. Its shattered shop fronts and blasted buildings are evidence of the ferocity of the fighting. They thus linked up with the Syrian forces in the Bekaa Valley and Sofar. The Druze then swept south driving out Christian militiamen and villagers back to the town of Bel al-Qamar which they blockaded. There were massacres on both sides.

The subsequent attacks on the Lebanese army at Souq al Gharb were irrelevant to their success. They failed to take the town but the army also failed to close the so-called Chouaifete Gap. This is a vital tongue of Druze territory which stretches down the mountainside and links the Druze to the Shia enclave in the southern suburbs. Whatever happens the Druze mini-state is unlikely to be dissolved for many years. Along with other groups in Lebanon, after nine years fighting the Druze feel the need for physical safety within a single territorial entity. They are not numerous enough, however, to create their own national state and in the long term their interests are in recreating some form of central authority which can stop violence being the main form of political expression in Lebanon.

The rise and fall of the Palestinians

UNTIL THE Israeli invasion of 1982 the Palestine Liberation Organisation was the strongest military force in Lebanon after the Syrians. It controlled west Beirut and parts of the south. For the 425,000 Palestinians in Lebanon the PLO provided protection and the camps organised welfare and benefits.

The departure of the PLO from Beirut after a prolonged siege in 1982 left the Palestinians heretofore of such protection. Their need for it became immediately apparent when the Lebanese Forces—the Christian militia—massacred over 800 Palestinians in Sabra and Chatilla camps in south Beirut.

"The main pre-occupation of Palestinians in Lebanon is survival," says a Palestinian observer in Beirut. Many have departed either with Mr Yassir Arafat or have not been able to return from jobs in Saudi Arabia or the Gulf. The camps are largely populated by women, children and old men.

Fears of renewed massacres have not died. Palestinians have been killed around Ein el-Helwan in Sabra. Many others, perhaps 140,000, are considered to be in Lebanon illegally by the Government. They are liable to arrest and expulsion. This has made it very difficult to obtain jobs even when they were available in Beirut and elsewhere.

The defeat of 1982 was compounded by mutiny within Fatah the following May. Led by Abu Mousa, a respected colonel based in the Bekaa valley, the mutineers clearly linked and encouraged by Syria, demanded fundamental reforms within the PLO and a harder line against talks with King Hussein on the Reagan plan.

The split came in part because Mr Yassir Arafat, chairman of PLO, refused to recognise what had happened in Beirut as a defeat. He had lost his independent political base from which he had for so long balanced one Arab state against another. All his armed forces were in Syria or in parts of Lebanon—the north and the Bekaa—controlled by the Syrian army.

Despite this he rejected a co-operation agreement with the Syrians, talked with their arch-enemy King Hussein and toyed with the Reagan plan which President Assad had denounced.



Arafat: rejected co-operation with Syria

"Arafat seems to have lost his sense of reality," said a diplomat at the time. "Is he living in a dream world?"

Arafat succeeded in getting the worst of both worlds. He did not reach agreement with King Hussein but he mortally offended the Syrians. At the same time, anger was growing in Fatah against Arafat and his entourage.

To the fighters who had wintered in the rain-soaked Bekaa valley, many of them guilty that they had left Palestinian civilians to die in Chatilla, Arafat's ambiguities were not enough.

An attempt to change the PLO commanders in the Bekaa valley sparked off the mutiny. Arafat's relations with the Syrians deteriorated. He rejected the idea that he should become a figurehead leader of a PLO more closely under the control of Damascus. Eventually he and his main aides were expelled from Syria and returned to the new PLO headquarters in Tunis.

Arafat and his followers were clearly defeated but his opponents were unable to build on the discontent felt among Palestinians in Lebanon and the rest of the Arab world. Abu Mousa and Abu Saleh appeared to heat the back and call of Damascus.

A sense of credibility was made all the worse when, after Arafat had returned to Tripoli in August, the rebels began to move against him. The last loyalists were shepherded out of the Bekaa Valley by Syrian tanks in November. The mutineers led by Captain Ahmed Jabril of the Popular

Front for the Liberation of Palestine attacked the camps of Nahr al-Bard and Baddawi near Tripoli and the Syrian army. Arafat was suddenly at the centre of world events once again. Television crews fanned the street outside his office. The rebels and their Syrian supporters had succeeded in propelling him back into centre stage. When he finally sailed out of Tripoli the rebels had little political credibility left.

Yet their original policies were not unrealistic. If the PLO is seriously thinking of fighting Israel, as it says it is, then it is never going to do it by itself. The only Arab state likely to fight the Israelis is Syria and therefore it seems logical to accept political reality and form an alliance with the Syrians.

The rebels clearly lost at Tripoli but how much did Arafat really gain? He immediately went to see President Muharrak. This alienated the neutral leaders like George Habash who remained in Damascus. Once again Arafat appeared to be the opportunist making up his mind as he went along.

Arafat is a guerrilla leader without an army anywhere near Israel. His base in Tunis is far from the centre of Middle East politics. He still remains the symbol of Palestine but the power to take decisions on Palestine and the Palestinians has reverted to the Arab states, where it was before the 1967 war.

Jordan, Egypt, Syria, Libya and Saudi Arabia are all taking part of the authority which once belonged to the PLO. In Lebanon the rebels can make little impact. It is not only that they are disliked by the Christians but they are unacceptable as allies to the Druze and the Shia. It is difficult to see how the PLO in any form can ever resurrect itself within Lebanon.

As a political community the Palestinians are now a meagre force in Lebanon. Many stay because they have nowhere else to go. Chatilla and Sabra were shelled by the Lebanese forces at the start of this month killing a few of the survivors of the 1982 massacre.

Arafat remains popular but, because of their desperate need for protection Palestinians will look to Syria and its allies. However, in the politics of Lebanon they no longer count.

THE CRISIS IN LEBANON

Christian euphoria turns into despair

IN TWO years the mass of the Christian community in Lebanon has shifted from euphoria to despair. The Israeli invasion of 1982 seemed to break the back of the PLO and the Syrians, the source, so the Christian Phalange Party argued, of all Lebanon's calamities.

Disillusionment followed fast. Within days of his election as President, Bashir Gemayel was dead, buried under the ruins of a party headquarters in Achrafieh in east Beirut. The American marines were ashore near the airport as part of the multinational force and the Israeli tanks were positioned around Beirut but neither were to prove dependable allies.

Protector

The Phalange Party, the militant backbone of the Christian community, found once again its hopes of securing a foreign protector were disappointed. The Israelis said they had entered Lebanon to expel the Palestine Liberation Organisation. The then prime minister Menachem Begin and his Defence Minister General Ariel Sharon may have had hopes of creating a friendly Christian state in Lebanon but

these ambitions were peripheral to the central Israeli aim. In the event, perhaps to the Israeli Government's surprise, it succeeded in doing exactly what it claimed it wanted to do. The PLO was driven from Beirut and then split into two warring factions. The Israelis then revealed that their alliance with the Christians was tactical not strategic and of limited use once the PLO was disposed of.

The Lebanese Forces, the grouping of Christian militias established by Bashir Gemayel, had entered the home-lands of the Druze community in the Aley and Chouf Mountains on the heels of the Israeli army. Under Walid Jumblatt the Druze turned decisively to Syria and when the Israelis withdrew to the Awali the Christian militias were crushed and Christian villagers driven from their homes perhaps never to return.

The sense of psychological steps the Lebanese Christian community has so often felt as a minority in an Islamic sea was becoming a physical reality. By the beginning of this year the Christians of east Beirut, Jounieh and up the coast to Byblos were within range of Syrian and Druze artillery.



Gemayel: never entirely his own master

Their children could not go to school because of the shellfire. Their existence as a community is in doubt.

Even if the Christian areas of Lebanon are not overrun the whole country faces a degree of impoverishment which will make it difficult for the Christian middle class to remain. Only all-out financial and military support from the

U.S. can enable them to survive as a potent community and not, as they have often feared, be reduced to the political status of the Copts in Egypt.

The position of the Christian communities in Lebanon has always been delicate. From the 7th century the Maronites and other Christians sought refuge in the fortress-like mountains which rise between the Bekaa Valley and the Mediterranean. The decay of the Ottoman Empire, the use by the imperial powers of Christian communities as loyalist sentinels complicated their position at a time when Arab nationalism, both secular and Islamic, was on the increase.

The agreement known as the National Pact of 1943 was an unwritten understanding, the basis for Lebanon's independence. The Christians renounced reliance on France, the Moslems the desire for union with other Arab states. Executive power and parliamentary representation was distributed on a six to five proportion favouring the Christians.

This understanding was realistic given the balance of power in Lebanon and the Middle East in 1943 and for some years after. As the balance changed the understanding was

first strained and then broken. Above all the Palestinians, better armed and organised than other communities, appeared to Christians to be the real threat to the Lebanon they desired.

The Phalange Party, founded in the 1930s by Pierre Gemayel, and modelled on the European fascist parties, encouraged the sense of racial identity among the Maronites and in a lesser extent the Greek Orthodox and other Christian communities. The 1975-76 civil war made the Phalange the strongest organisation among the Christians. Other Christian leaders like Camille Chamoun were either ousted or like Suleiman Franjeh and his clanmen in the north, allied themselves with Syria.

Intransigence

In the context of Lebanese politics, the Phalange had the advantage of modernity but their view of Middle East and world politics had a 19th century flavour. Too small to stand alone against the antipathy of the Moslem communities they yet displayed an intransigence which was dangerous unless they could secure powerful allies.

In the civil war and again over the last two years the Phalange underestimated the strength of the forces arrayed against them.

The election of Bashir Gemayel and, after his assassination, of his brother Amin in 1982 marked the crest of the wave for the Phalange Party. It has been down hill ever since. The Government relied on the alliance with the U.S. and to a lesser degree the Israelis. To the mass of Moslems the regime came to appear sectarian and unwilling to compromise.

The first crack in confidence came when the U.S. embassy was blown up in April by a suicide bomb. "The protectors cannot protect themselves," became a saying in Beirut. The May 17 Lebanese agreement with Israel was a challenge that Syria could not afford to evade. It provoked the full weight of President Assad's animosity.

"The Americans doomed Amin Gemayel by persuading him to sign this agreement," says one Christian observer. The President has never been entirely his own master within his community.

He was either unable or unwilling to get the Lebanese forces to withdraw from the Chouf, thus uniting the Druze



Fadi Frem, commander of the Christian right wing Lebanese forces militia addressing supporters outside his headquarters in Beirut

against the Government. Mr Nabih Berri, the leader of the Shia in much of Lebanon, found his demands for reform and co-operation rebuffed.

The Lebanese Forces and the Phalange Party show little sign of having a coherent strategy of their own since they were driven from the Chouf. Their tactic is to hope for Israeli or American support for a reconstituted Lebanese army.

It is a dangerous strategy. It hamstringing President Gemayel, ensuring that he reaches no real accommodation with Syria or the domestic opposition, and leaves the Christian community vulnerable to attack which they can only repulse with assistance from Washington or Jerusalem.

There is some recognition of this within the Christian community. The Greek Orthodox are

distancing themselves from the strategy pursued by the Phalange. Many maronites are disillusioned by what they see as the Phalange's record of persistent failure.

Yet such second thoughts may come too late. The grim fact for the Lebanese Christians is that they have fewer allies than the Palestinians whom they fought for so long to evict from Lebanon.

Their intransigence and inability to compromise may lead them to become the new Copts or the new Armenians of the Middle East. "You behave like that when you have power. When you do not it is sheer lunacy," says a diplomat of the refusal of the Phalangists to share power within what remains of the Lebanese state machine.

Suddenly the Shia community moves to centre stage

THE MOST important change in Lebanese politics since the Israeli invasion is the rise of the Shia community as a political force. Any new balance of power in Lebanon must take this into account. A critical error of President Amin Gemayel and the Phalange Party over the last year was to underestimate the political and military strength of the Shia.

This new power has been demonstrated in the last two weeks by the insurrection led by Amal, the Shia political and military movement, which took over west Beirut on February 6. In a matter of hours soldiers of the Sixth Brigade of the Lebanese Army were cajoled into neutrality or overrun by the militiamen. Some were Druze or belonged to other political movements but the key striking force came from the Shia.

The Shia are the largest single community in Lebanon, perhaps numbering 1.2m people and with a very high birth rate. They are concentrated in the south of Lebanon, south Beirut and the Bekaa Valley. They are strong in all the politically critical areas. They have also become increasingly numerous in west Beirut itself in traditional Sunni areas.

The Shia have long been the poorest and least educated of the Lebanese communities. This was exacerbated by the Israeli bombing of south Lebanon in the early 1970s. A wave of Shia villagers came to the growing shanty towns of south Beirut where they were caught by the

civil war. Like many other Lebanese the Shia of south Beirut became used to migrating to safer areas.

The south of Lebanon itself is almost completely bereft of social services, the roads are terrible and the local economy dependent on remittances and the traditional fishing, tobacco growing and citrus. The Israeli invasion of 1978 killed 2,000 people and created 250,000 refugees most of them Shia.

Despite this deprivation, the Shia community was a fertile recruiting ground for Moslem, leftist and political movements. It was slow to develop its own militia and political movement. Traditional families like the Asads and Himadehs remained powerful. In the political spectrum, the Shia were only allocated a very few jobs such as the speakership of Parliament, for long held by Kamal al Asad. There was discrimination at every level.

Populism

Amal, led by Iman Mousa Sadr, first began to break this mould before the civil war. His organisation combined a populism with religious sentiment. Mousa Sadr disappeared mysteriously in Libya in 1978 and the leadership was taken over by Nabih Berri, a lawyer.

The departure of the PLO in 1982 was an important factor in a new militancy. In the south Shia dislike of the Palestinians was rapidly replaced by antipathy to the Israelis. There were increasing numbers of guerrilla attacks including a suicide truck bomb in Tyre which killed 29 Israelis and 32 Lebanese in a security headquarters last November. Most

of these attacks were by Shia, according to local observers.

The success of the Iranian revolution in 1979, and the emergence of revolutionary Islam in an overwhelmingly Shia country gave a cutting edge to Shia militancy and greater self confidence.

In the capital, Nabih and other Amal leaders like Akef Haidar, a former colonel in the Lebanese Army, did not join the National Salvation Front along with the Druze leader Walid Jumblatt. They had talks with President Gemayel. While opposing the May 17 agreement with Israel they did not want to become too dependent on the Syrians.

Yet there was little sign that the Phalange Party or President Gemayel were prepared to make the political and social concessions necessary if Amal was to continue to go on supporting the Government. Even during the mountain war in September the Amal leadership did not call for its men, some 30 per cent of the soldiers, to leave the army. This was a source of some bitterness to the Druze.

The southern suburbs of Beirut were, however, an autonomous enclave. When fully occupied they have a population of perhaps 650,000 though it is doubtful if they have regained anything like this number. Since the Israeli invasion the south of Beirut has a completely different atmosphere from the rest of the city. It is more Arab and is very deprived. Within this area, however, Amal became the co-ordinating organisation.

As a military organisation Amal was never tightly controlled. It was more of a collection of vigilante groups under



Berri: moderate

local leaders. After the October 23 suicide truck bombings Amal or some faction of it was blamed by the Americans. Hussein Moussawi, who runs a militant offshoot of Amal in Baalbek behind Syrian lines, was an obvious candidate. His training camps were bombed by both Israelis and French.

The identity of Islamic Jihad, a Front organisation which had claimed the suicide truck bombings, was never firmly pinned down. Other attacks were claimed by the same voice on a telephone including the assassination of Malcolm Kerr, the President of the American University of Beirut. But even though it remains debatable whether the ultimate hand behind these attacks was Syria, Iranian or Lebanese, the fanaticism of revolutionary Shiism became very clear.

Vigilante groups

At the same time the differences between Amal's moderate leaders like Nabih Berri and the Government were becoming more and more radical. President Gemayel and the Phalange continued to underestimate the Shia and rebuff Amal's hopes of an understanding. Just before Christmas, French troops abandoned three posts in the Palestinian camps of Sabra in south Beirut and the Lebanese Army and Amal fought for them. For the first time the army shelled the southern suburbs.

Amal had become a stronger military organisation since the mountain war had opened up a tenuous supply route to south Beirut through the so-called Choufite. Gun, arms and equipment poured in. The army and the Government contemplated an attack on the southern suburbs at various points but backed away from the idea. At the beginning of this month they came near to trying to close the supply route.

In fact it was the Shia who struck first. A sniping incident by the army led to the symbolic position of St Michael's church being overrun by Amal. The army then made the fatal error of heavily shelling the southern suburbs. There followed Berri's complete break with Gemayel, the army mutiny in west Beirut and the resignation of the Cabinet.

Somewhat to its own surprise the Amal had become the single most important force in Moslem politics in Beirut if not the whole of Lebanon.

What will it do with its new power? The Shia need central Government to provide services and many of the benefits they have lacked for so long, but the uprising of February 6 appears to have given the coup de grace to a central Lebanese state of any real authority.

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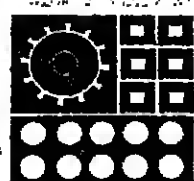
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THE CRISIS IN LEBANON

Government unable to see an honourable way out

Why Israel won't cut its losses and leave

THE LONG line of trucks waiting to cross the Awali River southwards is the symbol of the Israeli occupation of Southern Lebanon, more than a year and a half after the June 1982 invasion which was supposed to last 48 to 72 hours.

This big traffic bottleneck will soon be eased, the Israelis say, when work is completed on a new checkpoint where it will be possible to check up to eight vehicles at a time.

When it is operational it will be another giant and visible step in the evolution of Southern Lebanon into the "north bank," the phrase used to compare it with the West Bank of the Jordan, occupied for the past 17 years since being captured in the 1967 war.

Having closed out the PLO guerrillas, the original aim of the invasion and having seen the collapse of the grander design of creating a pro-Israeli Christian Government in Beirut, Israel is now stuck in Lebanon because it cannot see an honourable way out.

The basic goal, the Israeli Government says, is to devise security arrangements in the South which will ensure that the Palestinian guerrillas cannot return to launch raids or rocket attacks against the villages in Northern Israel.

Mistakes

The plain fact of the matter is that Israel has suffered far more casualties among its troops in Lebanon, over 560 dead and 3,000 wounded, than it ever did from the pinpoint attacks on Israel by the PLO fighters.

But it is hard for politicians to admit their mistakes. Even though the architects of the invasion, Menachem Begin, Ariel Sharon and General Rafael Eitan, are now all out of office, their successors are still bound by some of their concepts, the most costly of which is an inability to cut their losses and leave.

So today Israel has effectively partitioned Southern Lebanon. It controls an area of 2,800 sq km inhabited by more than half a million predominantly Muslim Lebanese.

Its forces are stationed along a line which begins just north of Sidon, 60 km north of the Israeli border, and only some 25 km south of the Lebanese capital.

The winding front line runs inland for 115 km and places Israeli forces in direct confrontation with the Syrians in the East.

The failure of President Amin Gemayel to set up a balanced government which would give due expression to the aspirations of the Muslim

majority has left Israel in an apparently unresolvable dilemma.

Its hopes that the reconstituted Lebanese army would be able to move south to take over the policing role now being carried out by the Israeli forces have proved misplaced.

Similarly the attempt to create local militias which could effectively keep out the Palestinian guerrillas have foundered on the rising tide of hostility among the dominant Shi'ite residents of the South.

Because of these failures, and Jerusalem's declared opposition to relying on a United Nations force to protect its northern border, it now has no option but to keep its own troops in the South for a long time to come, or until there is a change of policy in Israel, which can probably only come after a change of government in Jerusalem.

There is great similarity between the declarations of the Israeli Government during the past 18 months about Israel having no territorial aspirations in Lebanon, and the protestations by the Government in 1967 that Israel was willing to trade the occupied West Bank, Gaza Strip, Sinai and Golan Heights for peace.

Then Israel did not want to remain in the occupied territories or take on responsibility for the million plus Arab residents. The same attitude prevailed in Lebanon for the first year after the invasion, with Israel encouraging the residents of the south to re-establish communication with Beirut and at the same time hoping that the Government there would resume responsibility for the south.



Prime Minister Yitzhak Shamir: still bound to some of his predecessor's concepts

The Israelis did not want to have their presence in southern Lebanon evolve into a permanent occupation, with the establishment of a proper military government and a civil administration, as on the West Bank. But because the continuing control over the southern Lebanon region is the only lasting gain from the decade of the 1982 invasion and subsequent war, Israel is loath to relinquish it.

Already the administration set up by the Israelis is following courses of action similar to those of the West Bank and Gaza Strip. The original move was the setting up of a unit to grant assistance to the civilian population. As on the West Bank, this was under the guise of a "civil" rather than "military" framework to ease the fears of the local people.

The brief of this unit was not to manage the lives of the people, but to give them advice and assistance to enable them to return to a normal way of life. The unit was not given a budget and it organised and co-ordinated activities, rather than initiated or operated them.

Permanent

The temporary headquarters of this assistance unit in Sidon soon became a permanent centre as the various regions in southern Lebanon were subdivided into administrative zones and an army officer appointed to oversee civilian affairs. An entire network of civilian staff officers was set up, whose functions overlapped those of the parallel government offices.

As the situation now stands, it is almost identical to that of the military government on the West Bank and in Gaza, the Israeli administration insists that the local municipalities submit their budgets and programmes for approval.

All licences for movement of goods and people are issued by the administration and the local courts, when they function, are obliged to submit all verdicts handed down to the staff officer in charge of legal affairs.

Because of its hesitance about beginning a permanent presence in southern Lebanon, Israel has not established any legal foundation to justify taking control there. While on the one hand disclaiming responsibility and pointing the finger to Beirut in answer to the inhabitants' complaints, Israel, on the other, has taken de facto control over every aspect of their lives.

David Lennon



A rebel soldier looks cautiously out of a devastated building in the St Michael's church area last week. Some of the heaviest fighting was in this area

Syria re-asserts its authority

IN THE first week of the Israeli invasion in June 1982 Syria ceased to be the predominant power in Lebanon, a position it had enjoyed since the civil war of 1975-76. Israeli tanks cut the Beirut to Damascus highway and seized the southern end of the Bekaa Valley.

In the 18 months since the Israeli attack, President Hafez al-Assad has re-established his old superiority in Lebanon. The May 17 agreement between Lebanon and Israel arranged last year by Mr George Shultz, the U.S. Secretary of State, has remained a dead letter. Syria and its allies have established a sort of siege around Beirut and the Christian enclave to the north.

The swift return of Syrian authority in so much of Lebanon has surprised many Lebanese. It has not been done. With 40,000 troops in the country Syria will inevitably be the major power in Lebanon unless Israel and the U.S. provide a counter balance.

From the invasion until the end of 1982 the Christian community in Lebanon believed that Israel or the U.S. would give them long term support. The Government need not compromise with either its foreign or domestic opponents. At home Syrian forces had moved into the Druse homeland above Beirut. The May 17 agreement ruled out any understanding with Syria.

In the event it became clear that neither Israel nor the U.S. are prepared for a full scale war with Syria. The verdict of the first week of the June war of 1982 was reversed in the first few days of the Mountain War last September. It is now possible to drive from Damascus to Beirut, through Druse territory and then down into the Shia-held southern suburbs of the capital, without once entering Government-controlled territory.

Benefit

Syria has clearly benefited from the mistakes of its opponents, but its position was always strong. Preventing Lebanon coming under the control of its enemies has always been a key consideration for Damascus. In the 1975-76 civil war, Syria entered Lebanon both to prevent the Maronites setting up an independent little state in opposition to a victory by the radical National Movement, grouping PLO, most Moslems and the left under the leadership of Mr Kamal Jumblatt. This in turn would probably have provoked an Israeli invasion six years in advance of the actual event.

When the invasion of 1982 did come the main aim of the Government in Damascus was to avoid the destruction of its field army. In a few days fighting it saw one tank brigade largely destroyed and another mauled. More important its anti-aircraft missile sites in the

Bekaa Valley were wiped out along with 25 planes without loss to the Israeli airforce.

At the time, since world attention was focused on the drama of the siege of Beirut, too little attention was given to what had not happened. The Syrian army had not been destroyed or thrown out of Lebanon. Damascus still had some 40,000 men in the country.

The strategic nightmare of the Syrian general staff had not been realised. If the Israelis took the whole Bekaa Valley then they could either attack Damascus immediately to the east or strike north towards Homs, Hama and Central Syria. The Syrian army had lost important positions in hills to the south of the Bekaa Valley but it had clung on to the politically and militarily vital areas around Sofar and the Metn. Syrian forces were still not far from Beirut and could link up with their allies in the main mountain area.

The Syrians were clearly shocked, however, by the failure of so much of their Soviet equipment against the Israelis. They complained publicly and privately to Moscow and the Soviets responded by saying that the Syrians had misused the tanks, anti-aircraft missiles and aircraft. Months of mistrust followed and at the end of 1982 President Assad went on television to defend the performance of the T-72 tanks.

The knowledge in Moscow that the Soviet Union could not afford to see its most important ally in the Middle East defeated or humiliated improved relations. Military equipment losses were made good. Long range Sam-5 missiles manned by Soviet crews were based in Syria. There was increased training and co-operation, but Moscow continues to emphasise that the 1980 Friendship and Co-operation Treaty applies only to Syria. There is no security guarantee for Syrian forces in Lebanon. The Russians are

averse to being dragged into a confrontation with either Israel or the U.S. in Lebanon.

The new equipment or better training has clearly had some effect. The one American air raid at the start of December lost two planes and the Israelis had a single plane shot down. Given that the 220,000 strong Syrian army has no less than 40,000 men devoted to air defence this was an important change. The Syrian ground forces could no longer be attacked with impunity from the air.

Yet there are limits to the change in the strategic balance in Lebanon. The key fact is not that the Syrian army has improved but that for the moment the Israelis do not want to fight because of their political and economic crisis at home. They would still defeat Syria in a new war, though the Syrians are keen to demonstrate that they could only do so at the cost of heavy casualties.

Weakness

Another weakness of Syria is that while Damascus "is very good at gathering cards, it is not so good at playing them," as one observer in Beirut put it. This was demonstrated during the split in the Palestine Liberation Organisation. The rebels in Fatah led by Abu Musa and Abu Saleh were politically outmanoeuvred during their attack on the Arafat loyalists at Tripoli and showed themselves up as Syrian stooges.

Arafat then went to see President Hafez al-Assad of Syria giving him a return ticket to re-enter Arab politics centre stage. The alignment linking Egypt, Arafat, Jordan and Iraq is a blow to Syria's authority within the Arab world. It is not at all clear how Syria intends to consolidate its position within Lebanon, even if this is possible. If it continues to give full backing to the Druse and Shia communities then it



President Hafez al-Assad: likely to adopt an even tougher line

can ensure they will not be defeated by the Lebanese army, Syria can therefore thwart President Gemayel's attempts to increase the area under his control. But to do this Syria also ensures that Lebanese are doomed to live in a country whose national sovereignty is national. Syrian predominance reinforces the tendency for Lebanese to give their prime loyalties to archaic confessional mini-states, guarded by their own militias and subsidised by foreign allies.

Any move by Syria to absorb Lebanon completely would clearly be resisted by Israel. President Assad has therefore won a defensive victory but one difficult to consolidate. It is too early to say how far the new Baghdad-Amman-Cairo-Arafat axis will develop but the likelihood is that Syria will adopt an even tougher line in Lebanon.

Patrick Cockburn

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PROFILE: RAFIK HARIRI

The go-between

AT THE centre of Lebanon's impossible puzzle of peace-making is Lebanese multi-millionaire contractor Rafik Hariri. Bearer of a Saudi Arabian diplomatic passport, Mr Hariri is King Faud's emissary and mediator among a plethora of incompatible combatants, ideologues and leaders in the maze of misery that Lebanon has become.

Usually, Lebanese businessmen thrive most when they have little or nothing to do with politics. People often wonder why Mr Hariri has burdened himself with the mind-twisting task of Lebanese politicking. "I just found myself in it," he says.

Mr Hariri first distinguished himself as a "tycoon philanthropist" during Lebanon's nine years of war. His ambitious projects, including generous contributions to charity, needy students and empty municipalities, began during this period.

Hariri became a household name, however, in the aftermath of the Israeli invasion. In the autumn of 1982, he brought in construction machinery and transportation equipment to clear the streets of rubble, collapsed buildings and piles of garbage. He installed new city lights and planted palm trees along the seafront promenade, restoring to Beirut some of its lost lustre.

His drive to spruce up the capital and refurbish its ruined commercial downtown area was later adopted by the Saudi monarch. Hariri invested confidently in his country's future, setting an example for other compatriots accumulating wealth in the diaspora.

The rise to fame began 19 years ago, when as a school teacher he left Lebanon for Saudi Arabia. After teaching arithmetic, he became an accountant, joined a contracting company and later founded his own. He made his name in the desert kingdom, when he was bid regional and international contractors for the Intercontinental Hotel in Taif. He finished it in a record eight months and 15 days in time for an officially-sponsored conference. Advisers now estimate his wealth at some US\$50m (\$800m).

Slowly, Hariri branched out

from Saudi Arabia to France, England, Switzerland, West Germany and Lebanon. He owns the Luxembourg-based Mediterranean Investors Group, an investment and holding company that owns a number of banks and holds investments in real estate and banking in Lebanon, Europe and the U.S. Mediterranean Group Services, SARL, located in Beirut is another major enterprise.

In 1980, he established Oger Liban, a fully equipped construction company with a staff of about 2,000 to keep up with privately funded development projects. These include the Kfar Fawus Medical Teaching Center, the University of Saida Studies Center, a nursing school, primary schools and a vocational training institute.

Modest origins

Rafik Hariri comes from modest origins. His first lessons in hard work and the philosophy of success started when he was a little boy in Sidon, a fisherman's town south of Beirut.

Hariri remembers from his childhood the aroma of orange blossoms, Sidon's juicy fruits and the glitter of the Mediterranean. He remembers a basic rule taught to him by his mother, Umm Rafik. "He who knows how to take and give back will share the world's riches."

Forbidden to run around and play in the summers, Rafik went to work at one of the many shops in Sidon's old Souk. He was sent out every Sunday to get his shoes polished at the row of sidewalk shoeshiners. "I would wait in a queue to have my shoes polished by Abu Ali, while his mates sat idle, squinting in the sun waiting for the occasional customer. He made four to five Lebanese pounds a day. His friends, however, barely brought home two pounds a day."

"His success mystified me, so I observed him. Abu Ali worked with a solemn face not bothering to smile or converse with his clientele. No matter how dirty or tattered the shoes, they would come out as good as new once he finished with them."

Abu Ali worked with devotion

efficiently and offered the same reasonable price as his neighbours. He delivered his work rapidly and with dedication.

"One can use the same technique in constructing a building, a castle, a complex, a whole city or even a country. Quality, speed, sincerity and perfection are the pillars of success."

He has never forgotten Abu Ali or Umm Rafik's dictum. "An individual cannot grow alone. He also needs the growth of his surroundings. I am part of the society I live in. By helping one student, I am really raising the standards of a whole family and the children it will produce for the future."

Hariri's fortune and lack of interest in a political career were born of the respect of Lebanon's conflicting parties. Having no personal motives, he emerged as Saudi Arabia's and Lebanon's prime candidate for a badly needed peacebroker.

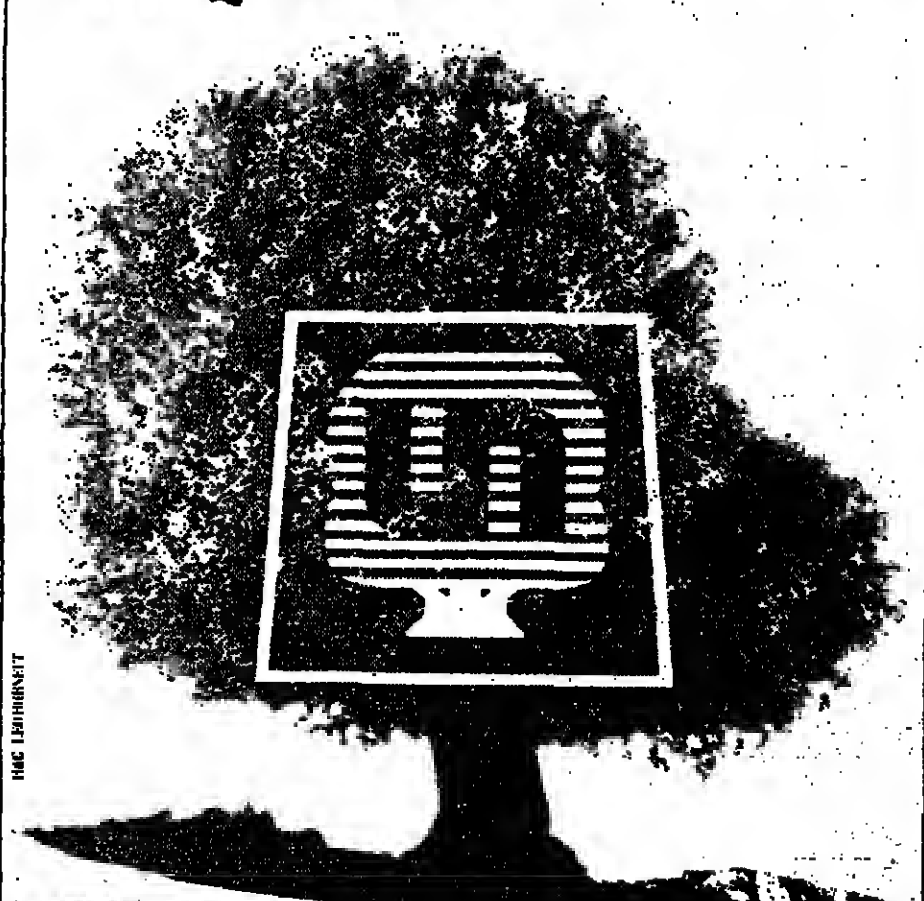
An expert on Saudi affairs notes: "Riyadh's princes did not want to be visible in efforts to help Lebanon at the expense of angering Syria, a dominating and forceful Arab country. Rafik Hariri, who carries dual nationality was the ideal solution."

The father of five sons, the eldest being 18, he is married to a woman whose mother comes from Sidon and father is a Palestinian. Still under 40 he has at least six noted medals and awards. He was given the Save the Children award, only the third in 50 years, the King Faisal medal, previously only given to Saudi ministers or members of the royal family and the Legion d'Honneur, Chevalier, from France.

A deeply religious, Sunni Moslem, though he insists he is without fanaticism, Hariri has carved out for himself a niche as one of Lebanon's, if not the region's most effective negotiators. His motivation is humane. "All the beliefs and ideologies of the world are not worth a scratch on a child's foot to me," he says. "To be complete, a person must have a professional and a human conscience."

Nora Boustany

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APPOINTMENTS

Senior changes at C. T. Bowring

C. T. BOWRING AND CO. has made the following appointments: At Bowring UK, Mr J. C. Hills and Mr J. A. Thomas have been appointed directors. Mr M. Thornton has been appointed a director of Bowring London. Mr N. J. B. Large has been appointed chairman and chief executive of Bowring UK Marine Cargo. At Bowring Professional Indemnity, Mr W. E. Batchelor has been appointed chairman and Mr J. W. F. Kemp chief executive. Mr H. M. J. Ritchie and Mr A. F. Sparks have been appointed directors. Mr J. M. Berman has been appointed chairman of London Insurance Brokers. In Bowring and Laybourn, Mr C. M. Auer has been appointed chairman and Mr R. A. Ferguson chief executive.

Mr J. A. Thomas has been appointed a director. Mr J. F. Wood and Mr P. A. Buck have been appointed directors of the International division of C. T. Bowring Reinsurance. Mr Roderick M. Quill has been appointed chairman of C. T. BOWRING AND CO. (INSURANCE); he will continue to serve as chief executive officer of this company. He succeeds Mr Keith Batchelor who has resigned on retirement. Mr Batchelor will continue as a non-executive director of C. T. Bowring and Co. and a director of Winchester Bowring, and C. T. Bowring (Underwriting Agencies).

GREENJACK SHIPPING AGENCY (UK) has appointed

Mr H. S. Ong to its board with responsibility for sales, marketing and business development. Prior to joining Greenjack, Mr Ong was working with Neptune Orient Lines, where he was senior representative, UK/Continent.

Mr David J. Russell, general manager of the Bell and Howell companies which market audiovisual and video equipment in Denmark, Norway and Sweden, has been appointed director-international operations, RELI AND HOWELL A-V. He will continue to have overall responsibility for the three Scandinavian companies and, in addition, export business in the Middle East, India and those parts of Europe and Africa where Bell and Howell A-V Ltd is represented by independent distributors. He has been on the board of Bell and Howell A-V since 1976. Mr Michael G. Dickson has been appointed broadcast sales manager in the recently-formed television systems division. He was previously managing director of Bell Technical Vehicles. Mr John Goddard has moved from the corporate office of Bell and Howell, where he was treasurer, European region, to become European financial controller of the company's A-V and Video division.

Mr R. J. Deane has been appointed operations director of HENLYS. He joined the company in 1968 and was regional director for the east region.

LEVER INDUSTRIAL, a Unilever company, has appointed Mr David Hume as director of the industrial division responsible for products for the food, beverage, laundry and metal cleaning industries. He has been a director for eight years. Mr Paul Fridgeon has been appointed director of the catering and institutional division. He transfers from Lever Brothers where he was national accounts manager.

Mr Bryan Hunt has been appointed sales and marketing director of ZRP. He takes over the post after acting as independent consultant to the company since April 1983. He was sales manager of Solar Gas Turbines. Mr Hunt succeeds Mr John Bailey who has left the company.

Dr Duke Ebenezer has been appointed director of the data products division of THORN EMI DataTech, from engineering manager.

The following have been elected to the executive committee of the ISSUING HOUSES ASSOCIATION: Mr R. D. Broadley (Baring Brothers and Co.) chairman; Mr G. R. Walsh

(Morgan Grenfell and Co.) deputy chairman; Mr M. V. Bink (Charterhouse Japhet); Mr A. E. C. Broadbent (J. Henry Schroder Wagg and Co.); Mr D. Bucks (Hill Samuel and Co.); Mr F. J. Byrom (N. M. Rothschild and Sons); Mr D. O. Haras (Lloyds Bank International); Mr I. A. N. McIntosh (Samuel Mootagu and Co.); Lord Rockley (Kleinwort Benson); and M. L. J. Scott (Barclays Merchant Bank).

Mr J. C. Marvin has been appointed chairman of ALVIN MORRIS. He joined the parent company, Hickson International, in the second half of 1983 and is a former director of the petrochemicals and plastics division of I.C.I. Mr J. D. Alderson, chairman, and Mr E. A. S. Price retire.

Mr L. Crawley, company secretary of CAMREX, a member of the Rubertid Group, has been appointed to the board.

MORGAN GRENFELL AND CO has appointed Mr John A. Morgan as non-executive chairman of Morgan Grenfell Inc. the wholly-owned subsidiary based in New York. Mr Morgan is with the firm of Morgan Lewis Githens and Ahn, a New York investment banking firm with which he will continue as senior partner. He is a great-grandson of J. Pierpont Morgan. Following Mr Morgan's appointment, Mr Christopher Whittington, who is based in London, will become executive vice chairman. Mr John Franklin remains deputy chairman and Mr John Fraser continues as president.

Mr Robert Burton has been appointed managing director of COLEGRAVE GROUP. Mr Bill Colegrave becomes chairman with additional responsibility for diversification and acquisitions. Mr Brian Altholson, managing director of Altholson & Colegrave Personal, financial services division of the group, joins the board.

LADBROKE GROUP has made the following appointments: at Ladbroke Entertainment Mr Barry Hart becomes managing director and Mr John Bunclark operations director; at Ladbroke Holidays Mr Michael Bugang becomes marketing director and Mr John Slater operations director; at Ladbroke Racing Mr Colin Miles becomes trading director; and at Servicepoint (Leisure) Mr William Colley becomes managing director and Mr Paul Thompson financial director.

LEGAL NOTICES

RAND LONDON COAL LIMITED

RESULTS OF MEETINGS

At the Scheme and General Meetings of Rand London Coal Limited ("Rand London Coal") held on Tuesday, 14 February 1984, the following resolutions were passed by the shareholders of Rand London Coal and its subsidiaries ("the Scheme Shareholders"):

The Scheme Shareholders have agreed to the Scheme of Arrangements ("the Scheme") between Rand London Coal and its subsidiaries and the Scheme Shareholders of other than Rand London Coal and its subsidiaries ("the Scheme Shareholders") which is being wound up by an Order of the Supreme Court of Bermuda and its subsidiaries ("the Scheme Shareholders") were passed by the Scheme Shareholders.

The Scheme Shareholders have agreed to the Scheme of Arrangements ("the Scheme") between Rand London Coal and its subsidiaries and the Scheme Shareholders of other than Rand London Coal and its subsidiaries ("the Scheme Shareholders") which is being wound up by an Order of the Supreme Court of Bermuda and its subsidiaries ("the Scheme Shareholders") were passed by the Scheme Shareholders.

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

1983: No. 74

IN THE MATTER OF

AJAX INSURANCE COMPANY LIMITED

AND IN THE MATTER OF

THE COMPANIES (WINDING UP) ACT, 1977

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company which is being wound up by an Order of the Supreme Court of Bermuda are required, on or before the 5th day of March 1984 to send their full names and addresses of their solicitors (if any) to A. Verbeke Daniels, Official Receiver and Charles W. Kempe, Jr., Joint Provisional Liquidators of the said Company and to the Joint Provisional Liquidators, or any Liquidator who may hereafter be appointed to come in and prove their debts or claims at such time and place as shall be specified in such notice or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 3rd day of February 1984.
A. VERBEKE DANIELS,
Official Receiver,
CHARLES W. KEMPE, JR.,
Joint Provisional Liquidators.

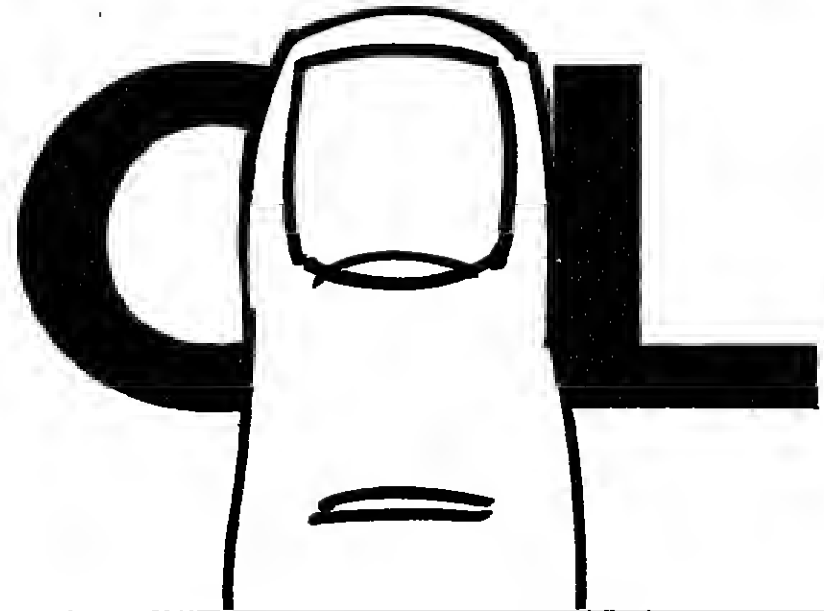
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AGNEW GALLERY, 45, Old Bond St., W1. 01-629 6176. COLOURED AQUATINTS—Early 19th Century Sporting & Topographical Prints. Until 2 March. Mon-Fri. 9.30-5.30. Thurs. until 7.

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THACKERAY GALLERY, 18, Thackeray St., W8. 01-637 5883. JAMES GUNNELL and Mixed Watercolour Exhibition. Until 2 March.

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THE ARTS



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LONDON

London Philharmonic Orchestra conducted by James Loughran with Cecile Ousset, piano. Berlioz, Saint-Saens, Franck and Mussorgsky/Ravel. Royal Festival Hall (Mon). (8383191)
London Symphony Orchestra conducted by Claudio Abbado with Rudolf Serkin, piano. Beethoven, Mozart and Mendelssohn. Barbican Hall (Mon). (8385891)
Bach Choir and London Symphony Orchestra conducted by Sir David Willcocks with Felicity Lott, soprano, Penelope Walker and Margaret Cable, contraltos, and John Scott, organ. Poulenc, Debussy and Mah-

thias. Royal Festival Hall (Tue).
Royal Philharmonic Society: City of Birmingham Symphony Orchestra conducted by Simon Rattle with Ida Haendel, violin. Britten, Elgar and Nielsen. Royal Festival Hall (Wed).
Lucia Popp accompanied by Geoffrey Parsons. Schumann. Barbican Hall (Wed).
London Philharmonic Orchestra conducted by Vernon Handley with Janet Baker, mezzo-soprano. Elgar. Royal Festival Hall (Thur).
PARIS

Chamber Music - Puppette 14 conducted by Edmond Rosenfeld: Savouret, Chaynes, Stamitz (Tue), Radio France, Grand Auditorium (8341810).
Mia Tiso, piano: Scarlatti, Beethoven, Chopin (Tue), Theatre des Champs Elysees (7234777).
Maria Farandouri: Greek and Turkish folk songs and music (8.30pm Tue, Wed, Thur), Theatre de la Ville (2742777).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Radu Lupu piano, New York Choral Artists directed by Joseph Flummerfelt. Webern, Mozart, Holst. Chorus: Zubin Mehta conducting, Patricia Wise soprano, Thomas Moser tenor, Simoo Estes bass baritone.

New York Choral Artists conducted by Joseph Flummerfelt. All Haydn programme (Thur), Lincoln Center (8742424).

Carnegie Hall: Philharmonia Orchestra, Vladimir Ashkenazy conducting and solo piano. Beethoven, Schubert (Mon); Henryk Szeryng violin recital. Brahms, Bach, Bartok, Paderewski, Sarasate, Halffter (Thur). (3477459)

Merkin Hall (Abraham Goodman House): Laura Hurst soprano, recital. Maurice Tenezy Clavier (Mon); New Opera New York, George Tsontakis conducting, Beth Lindberg soprano, Allan Glassman baritone. All Beynon programme (Tue); Sue Ann Kahn flute recital. Rotherberg, Copland, Rieggen, Shapley, Wright, Schickel (Wed), 87th W of Broadway (8828719).

WASHINGTON

Concert Hall: National Symphony, Rafael Frubbeck de Burgos conducting, William Stein violin, Copland, Dvorak, Bartok (Tue, Thur), Kennedy Center (2543778).

CHICAGO

Pleyel Ensemble (Orchestra Hall): Bartok, Berkeley, Rotherberg (Wed). (4358122)
Chicago Symphony (Orchestra Hall): Leonard Slatkin conducting Lyadov, Shostakovich (Thur) (4358122)

WEST GERMANY

Berlin, Philharmonie: Pianist Ivo Pogorelich, Bach, Beethoven, Brahms and Chopin (Mon); Daniel Barenboim piano, Beethoven and Liszt (Tue); Marc Neikrug and Pinchas Zukerman. Bach, Tchaikovsky and Saint-Saens (Thur).
Frankfurt, Alte Oper: Royal Philharmonic Orchestra under Antal Dorati. Debussy, Michael Tippett and Beethoven (Tue).

BRUSSELS

Eugene Istomin, piano. Bach, Stravinsky, Beethoven, Schubert and Chopin. Palais des Beaux Arts (Tue).
Johannes Hymmen, baritone, accompanied by Ralph Gothof. Schubert, Theatre Royale de la Monnaie (Tue).
Lipsa Philharmonie Orchestra conducted by Pierre Bartholomee. Palais des Beaux Arts (Thur).

ZURICH

Tonhalle: Tonhalle Orchestra conducted by Ralf Weikert with Adelina Oprean, violin. Mozart, Prokofiev and Dvorak (Wed); Louise Michael, soprano, accompanied by Willy Hasselein. Beethoven, Poulenc and R. Strauss (Thur).

Opera and Ballet

LONDON

Royal Opera, Covent Garden: The new production of Andrea Chénier, a vivid example of second-rank Italian verismo, has José Carreras in the title role, Richard Armstrong as conductor, and a staging (borrowed from Cologne) by the widely-admired Michael Hampe. Last performance of the successful La Bohème revival, with Ilona Tokody and Dennis O'Neill as the lovers. (2401066).
English National Opera, Coliseum: The new production of The Master-Singers, a mixed bag of good and less good things, is notable above all for the interplay between the moving, interesting, and subtle Hans Sachs of Gwynne Howell and the brilliantly sung and acted Bachmeister of Alan Ogie. John Cox's famous production of Patience returns with Patricia O'Neill, Derek Hammond-Stroud, and Anne Collins in the cast; last performance of La Traviata, with the elegant, passionate heroine of Nelly Miricioiu. (8383161).
Royal Opera House, Covent Garden: The Royal Ballet presents La Fille mal gardée followed by Le Ballet trop dansé.

PARIS

La Fantome de l'Opera, a three-act ballet, choreography by Roland Petit, music by Marcel Landowski. Conducted by Marcel Landowski. Claude Schmitz alternates with Verdi's Jerusalem in a new production by Jean-Marie Simon, conducted by Donato Renzetti with Veriano Lucchetti in the role of Gaston, Alain Fondary as the Count of Toulouse and Cecile Gasdia as Helene. Paris Opera (7423750).
Marseille: The XXth Century Ballet: Messe Pour Le Temps Futur, expressing the anxiety, hope and fascination of the future. Palais des Congres (2562750).
Kobe - Japanese musician-athletes perform an ancient ritual of drum-beating which sounds at times as gentle as the whispering of reeds and at others as violent as the thunder in the mountains. Theatre des Champs Elysees (7234777).
Ballet Antonio Gades performs Carlos Saura's Carmine with Cristina Hoyos in the title role. Theatre de Paris (2809330).

WEST GERMANY

Berlin, Deutsche Oper: Premiering this month is a Jean-Pierre Ponnelle production of Fidelio, conducted by Daniel Barenboim. It brings together



Kiri Te Kanawa, in Arabella at the Metropolitan Opera, New York

er tenor Peter Hofmann as Florentin and Catarina Ligocada as Leonora. Der Rosenkavalier is perfectly cast with Brigitte Fassbender and Anna-Tomowa-Sintow. Die lustigen Weiber von Windsor rounds off the week. (34381).

Hamburg, Staatsoper: The week starts with Così fan tutte sung in Italian. Turandot has Eva Marton in the title role and Franco Bonifazi as Calaf. (351151).
Frankfurt, Oper: Der Fliegende Holländer has Philip Joll in the title role. A new production of Don Pasquale has Günther Reiche in the title role. Other performances are Alceste with Aurea Gomez in the title role, Cav and Pag and Der Turke in Italian. (25221).

Stuttgart, Württembergische Staatsoper: The week starts with Albert Herring opens the week. Premiering this month is Hans Werner Henze's Duo Christoffe produced by Andreas Meyer-Hanno. It has Mario Brel in the title role. There has been much applause for Karl Ott's Die Kluge. (25221).

Hamburg, Oper: Ballet-Hommage a George Balanchine includes his Vier Temperamente, danced to music by Paul Hindemith Tchaikovsky and Mozart, a German premiere dedicated to the late Balanchine choreographed by John Neumeier to music by Mozart. Soloists are Bettina Beckmann, Lynne Charles, Chantal Lefevre and Jean-Jacques Defago (Sat).

NEW YORK

Metropolitan Opera (Opera House):

Theatre

LONDON

Master Class (Old Vic): Timothy West as Stalin confronting Shostakovich and Prokofiev with charges of deicide in their music. David Pownall's gripping new play is second into the beautifully refurbished Old Vic after the departure of Blondie to the Aldwych. (8287816).
Little Shop of Horrors (Comedy): Campy off-Broadway import which is less good than The Rocky Horror Picture Show but which has a curious charm, a feeble performance from Ellee Greene and an exotically expanding man-eating prickly plant. (8302578).
Sufficiently Carthydrate (Albery): Transfer after a sold-out season at Hampstead for Dennis Potter's menapausal, over-symbolic but trucelessly written comedy on a gleaming white Greek island set. Dinsdale London superb, yet again, as a garulous drunk. (8363878).

Tales From Hollywood (Olivier): Nearly the last chance to catch Christopher Hampton's witty scenario for Austrian emigres in Hollywood between the wars. Michael Gambon is the playwright von Horvath, Ian McKellen a vulpine, cynical Brecht. Large-scale epic play, funny and thought-provoking on the subject of the Artists in exile. (9282252).
Hay Fever (Queen's): Peleopole Keith is more "right" for Judith Bliss than was either Edith Evans or Celia Johnson. She is very funny, winsomely autistic, distracted. The supporting actors roll over without protest. (7341186).
Pack of Lies (Lyric): Judi Dench in a decent, enthralling play about the breaking of a spy ring in the suburban Building of 1889-80. Hugh White more's script cleverly constructs a drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford Williams. (4373886).
The Real Thing (Strand): Susan Pleshette and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (8362604/143).
Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slits, hockey sticks, a cliff-top rescue, stout

moral conclusion and a rousing school hymn. Spitting if you're in that sort of mood. (4371522).
Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Beckford's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (8368588).

NEW YORK

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T. S. Eliot children's poetry set to trendy music is visually startling and choreographically fine, but classic only in the sense of a rather staid and overblown idea of theatricality. (2386282).

La Cage aux Folles (Palace): Perhaps this season's outstanding musical comes, like Evita and Cats before it, at the very beginning of the theatrical year. Despite stellar names such as Harvey Fierstein writing the book and Jerry Herman the music, the best parts of the show are not the hoopla, apart from the first-act finale a la Gaiety Parisienne, but the intimate moments borrowed direct from the film. (772828).

Nine (46th St): Two dozen women surround Sergio Franchi in this Tony-award winning musical version of the Fellini film 8 1/2, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (2460246).
On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 send-up of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (8779370).

Carman (Vivian Beaumont): Peter Brook has done an excellent job in transforming this Lincoln Center landmark into a spruced-up version of his grubbier Paris Bouffe du Nord home for a fast-paced, stripped-down seven-performer, but wholly engrossing version of Eliaz. (8746707).

Noises Off (Brooks Atkinson): Dorothy Loudon brings Michael Frayn's backstage slapstick farce to Broadway in Michael Blakemore's production that includes Brian Murray, Paxton Whitehead and Victor Garber as her backstage conspirators. (2453430).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest juggle at the English intelligentsia, with a new found attention to the heart that beats beneath the veneer, arrived on Broadway in a cast headed by Jeremy Irons and Celia Cruz, directed at a fast clip by Mike Nichols. (8306000).
42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffie Off To Buffalo with the appropriately brash and leggy hooking by a large chorus line. (9779200).

CHICAGO

Glensary Glen Ross (Goodman Studio): Gregory Mosher directs David Mamet's story of Chicago real estate dealers which premiered at the National Theatre in London. Here the cast includes Mike Nussbaum, Joe Mantegna, James Tolkan and J.T. Walsh. Ends Feb 28 (4453800).
E. H. (Forum): Moving into its second year parodying melodrama in a hospital setting, this emergency room continues its adventures among a young doctor, a receptionist and an authoritarian nurse. (4853000).
Candida (Goodman Mainstage): Munsoo Hicks, better known as an actor, adds Shaw's jaundiced view of a minister's marriage to his list of directing credits. Ends Feb 18. (4433800).

WASHINGTON

Beyond Therapy (Kroeger): Christopher Durang's romantic comedy has all the elements of modern studies life including meeting through the personals column of a newspaper and a scene in a hip restaurant, but it reflects more than explores the shallowness of a surfeit of choices. Arena Stage (4893300).
The School for Scandal (Folger): With Dawn Sparr as Lady Teazle and Lilene Mansell as Lady Sneerwell, Sheridan's "delicacy of hint and mellowness of sneer" comes to give inspiration close to the cat's paw's Capitol in a production directed by Allen R. Bellman. (5464000).

Death of a Salesman (Eisenhower): A new production with Dustin Hoffman as Willy Loman starts a cross-country tour destined to end up on Broadway in the spring. Ends March 18. Kennedy Center (2543870).

Exhibitions

LONDON

Royal Academy: The Genius of Venice - we are treated to a show in the grand old manner of the Royal Academy's Venice exhibition, which it treats us to exclusively the painting and, to a lesser extent, the sculpture, that Venice produced in the 18th century. Ends March 11.

PARIS

Francis Bacon: His work - even in his recent paintings - continues to torment and to challenge as he is helped by the mixture of a realistic execution combined with an irrational representation of the strained and twisted human body. Galerie Maeght-Lelong (7681319). Closed Sat. Feb 25.
Camille Claudel: 70 sculptures accompanied by paintings, drawings and engravings prove the individuality of Rodin's pupil who, through her realism and later on, a sense of the theatrical, found her own way. Musée Rodin. Closed Tue. Ends June 11 (7050134).

NEW YORK

Metropolitan: Rembrandt, Vermeer, Hals, van Ruysdael and Steel are among the 17th century masterpieces from the Royal Netherlands Picture Gallery in the Hague taking up temporary residence in commemoration of 200 years of Dutch-American diplomatic relations. Ends April 15.

WASHINGTON

Leonardo's Last Supper (National Gallery): Although the rectory of the Church of Santa Maria della Grazie has not been brought from Milan, this clever exhibit does the next best thing in combining preliminary studies drawn from the Queen's collection in Windsor Castle with photos and a film of the restoration and works done after the Last Supper, including a series by Rembrandt. Ends March 4.

CHICAGO

Museum of Contemporary Art: With the assertion: "The arts in West Germany today are dynamic and strong, and constitute one of the most important sources for contemporary art trends in Europe and America," this recent Chicago institution is putting on three German shows, of artists Rebecca Horn, Dieter Roth and 100 works of five neo-Expressionists. Ends April 7.

WEST GERMANY

Bremen, Kunsthalle, 207 Am Wall: A roving exhibition dedicated to Ewald Mataré (1887 to 1963), the German sculptor and painter, the lights of which are 58 landscapes in watercolour presented to the public for the first time. Ends March 11.
Cologne, Museum Ludwig, 1 Josef Haubrich: Hof's Masterpieces of Russian Painting has 70 oil paintings from the end of the 19th and the beginning of the 20th century by Chagall, Kandinsky and Malevich, for example. Ends March 25.

Berlin, Brücke Museum, 9 Bismarckstrasse: The museum has opened the first of a series of exhibitions in honour of the 100th anniversary of Karl Schmidt-Rottluff, the German expressionist painter. The show has more than 80 paintings. Ends March 25.
Nuremberg, Kunsthalle, 32 Lorenzer Strasse: a retrospective with 140 paintings, sculptures and works on paper by Josef von Stern. A Bavarian artist who died at Christmas. Ends March 18.

HOLLAND

Irish Culture from 8000 BC to 1500 AD in Amsterdam's Rijksmuseum until Feb 28. The Book of Kells, the most magnificent illuminated version of the gospels in Europe, is joined by a hoard of bronze, silver and gold treasures, all finely wrought and many of them encrusted with jewels - a reminder that, long before its present troubles, Ireland had its golden age and was the last repository of Western art and learning to fall to the Vikings.

BRUSSELS

Spa boxes and trinkets from the 18th and 19th centuries. These were made as souvenirs from wood which over the grey colour to a long-lasting green in the waters of the health resort. There are 150 boxes for gloves, sewing and sweets and trinkets such as pendants, brooches and book-covers. Theatre National from Wed.

ITALY

Venice: Palazzo Grassi: as a precursor of the Venice Carnival (which explodes on Feb 28) an interesting exhibition of over 700 masks - from early Greek to the masterpiece of the Commedia dell'Arte and later (until March 15).
Guggenheim Foundation - Palazzo Guggenheim: usually closed in winter but opened especially for a small exhibition of 10 paintings by Jackson Pollock.

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THE ARTS

Cinema/Nigel Andrews

Killed by a camera's curiosity

Star 80, directed by Bob Fosse
The Curse of the Pink Panther,
directed by Blake Edwards
Strange Invaders, directed by Mi-
chael Lindsay
Blood of Dr Jekyll, directed by
Walerian Borowczyk

Back in 1980, blonde and beautiful Dorothy Stratten was the shape that launched a thousand staples: Playboy centrefold, 'Playmate of the month' and the toast of the Hugh Hefner empire. Some months later she was laid out in a wholly different manner, shot dead and then sodomised by her husband and promoter Paul Snider, who then blew his own brains out. The Western world rang to the scandal, and everyone suddenly went mad moralising about the Nemesis visited on American hedonism (as they did later with the Manson murders) and playing the poor young female lamb caught in its coils.

Show business, of which Play-boy is certainly a division, is the only religion in the world which has a fast-food attitude to its own goddesses. It elects and idolises them and then turns them into sacrificial victims. Star 80, directed by Bob Fosse (of Cabaret, Lenny and All That Jazz), is a poison pen letter to the glamour industry in the glamour industry. Like any act of self-directed tut-tutting, it carries a whiff of hypocrisy as well as a genuine masochistic fascination. It's also filmically somewhat of a shambles: shaken into a state of a crucial point somewhere between intention and execution.

Fosse has aimed his kaleidoscopic style—jump cuts, elastic angles and a choreographer's brio of rhythm and movement—at a true-life story that he clearly wants us to see as a modern tragedy. Mariel Hemingway's Dorothy is a peach-skinned blonde from Vancouver garbed in an improbable nimbus of innocence, while Eric Roberts as Snider is a patsy and jealous young wheeler-dealer caught up and finally mentally shredded by the outlasting machinery of the Playboy kingdom.

Moving between different time levels—before we're told of the murder, then back to a doozy flashback—Fosse gives us Roberts covered in blood in the room where the killing takes place—the film recounts the story like a Citizen Kane jigsaw. Characters are wheeled, late view to near, and piece given at a true-life story that he clearly wants us to see as a modern tragedy. Mariel Hemingway's Dorothy is a peach-skinned blonde from Vancouver garbed in an improbable nimbus of innocence, while Eric Roberts as Snider is a patsy and jealous young wheeler-dealer caught up and finally mentally shredded by the outlasting machinery of the Playboy kingdom.

But these characters are never more than brief blurs in the dramatic personae. The real reason the film fails to move us or improve us is that there's no sense of thwarted moral



Mariel Hemingway and Eric Roberts

volition in the two principals—of free will furiously frustrated by fate—which would turn a mere nasty story into a genuine tragedy. Hemingway is a beautiful elpher, an intellectual with no note of credible autonomy. (It's a sexist view of a sexist victim.) And though Roberts makes more of Snider, a macho, mushy-voiced spiv (he sounds as if he is speaking through mouthfuls of hot cheese) doubly dedicated to promoting his muscles with dumbbells and his career with dumb bibles, even he fails to grow or change through the story. The result is that Star 80 is a blast at empty-headed exploitation by empty-headed curiosity. It's an often brilliantly visualised series of snaps and vignettes, but as a scrap-book it never comes to continuous life and as an investigation it never solves its own enigma: the human why and how of a horrific murder.

The deceased are no less unresolved with us in the Pink Panther series. In addition to the memory of poor Peter Sellers, The Curse of the Pink Panther finds awkward posthumous space for David Niven and Peter Arne, both surviving in the film in small and seemingly bit-part cameos.

The plot revolves around a Clouseau still "missing" somewhere in France and represented in the film only by a mock-Sellers voice issuing from a mummy-wrapped gent glimpsed in hiding in a luxury villa in the Cote d'Azur. We're supposed to assume that this is the Gallic gunslinger after plastic surgery. Very late in the film he takes off the bandages and reveals himself to be Roger Moore, the reasons for which I couldn't remotely understand.

Prior to this, Ted Wass (of Soap) takes centre screen as the young David Niven and chosen by the Surete's master-computer as the man most com-

petent in all the world to find Clouseau. Actually Herbert Lom's Inspector Dreyfus has fiddled the computer so that it finds the world's least competent cop. Result: Wass steps into the bungling bloodhound role as a surrogate Clouseau, causing much havoc and hospitalisation for Lom and hobbling off due south in search of (a) Clouseau and (b) the yet-again-stolen Pink Panther diamond.

This series is like being stuck in a recurring nightmare. Is it not time to call it a day, gentlemen? At 110 minutes, this seventh Panther is painfully stretched, almost to the point of doing the splits. It raises a murmur of mirth only when Lom's Inspector-under-stress seizes the screen, twitching an early-warning eyelid or choking into his microphone with suppressed hysteria as he reads out a flattering official Clouseau citation ("Genius, black belt, expert marksman..."). But else where, Wass is wan, the slapstick scenes vary between the desecratory and the desperate, and there surely cannot be much more of a cinematic future in Clouseau comedies without Clouseau.

Strange Invaders has even less sense of economy or incisiveness than The Curse of the P.P. But a few landmarks of originality rear up in the sprawling tale of alien interlopers in the midwestern small town of "Centerville, U.S.A." Young New York entomologist Paul Le Mat ventures thither when his wife, visiting her Mum, goes mysteriously uncommunicated. She proves to have been captured by galeatic visitors who lock her up in a cage of their camouflage of human faces, like ET after primitive surgery.

These beings can also, at the mere lift of an apocalyptic finger and release of a streak of lightning, explode cars, lay waste whole buildings and threaten the end of civilisation as we, or at any rate Hollywood, know it.

They should have been encouraged to lay waste whole pages of this script. Dialogue scenes between Le Mat and the film's various leading lady characters—wife Diana Scarwid, reporter Nancy Allen and scientist Louise Fletcher—proceed with lacerating awkwardness. And the film is never sure whether to keep its tongue in its cheek, gently spoofing the 1950s Sci-Fi tradition of Invasion of the Body Snatchers, or its hand on its heart, prophesying credible doom. It ends up awkwardly doing both and resembling Napoleon with a toothache. But its special effects are both special and effective, and much of the movie's charm has a real and nutty flavour that in a more urgent narrative would have been hard to resist.

Large numbers of films are suddenly flying into London and opening in Press ahead. The Odeon Leicester Square follows the unreviewed Sahara with the unreviewed I Two of a Kind, which stars that famous duo John Travolta and Olivia Newton-John, trailing clouds of Grease, in a musical entertainment about which I will tell you more when and if I buy a ticket.

However, I have seen Blood of Dr Jekyll, which has sneaked covertly into London as if in a dirty raincoat and is in fact a high and gamey masterpiece by Walerian Borowczyk (of Blanche and Story of Sin). This thunderously dirty farrago of swordsticks and arrases and secret panels and blood riles surfaced at Cannes five years ago and was asked by many critics to dive straight back into oblivion. The more fools they; and no wonder distributors hesitate to expose their more wayward wares to Press comment. The film is vivacious, atonal and unforgettable, like a meeting of minds between Lulu and Dracula.

The English Chamber Orchestra's present series, of which Wednesday's concert was the third of four, combines Britten and Mozart. (The pairing is effective and perfectly workable; and how refreshing it would have been if, instead of groping after tenuous connections, our programme-book had declared them merely to be utterly different composers, of radically different sympathy, nature and stature, the best of whose music always deserves to be played.)

The evening's finale, and also as it happens its executive high point, was a very fine performance by Raphael Wallfisch of Britten's Cello Symphony. Wallfisch caught its peculiar cast and texture exactly: the fragmentations and Bartokian night-eariness of the opening movement, breaking forth into complex song in its develop-

The celebrated English National Opera Potience is one of the five productions scheduled for the company's forthcoming U.S. tour. Wednesday's performance, the first of the London revival in advance of the departure date, boded very well for transatlantic success. Under Victor Morris, the orchestra was not always quite unanimous in the trickier rhythms of the overture (later on, these came right with infectious vitality); and perhaps the dialogue delivery of the cast's new members was not always quite up to proper speck. But these are minor quibbles, for already there is about the whole thing an irresistible zest that catches directly the spirit of an irresistible piece.

Even for those whose devotion to C and S may be prey to occasional fits of doubt, impatience, or even heresy, Potience must surely remain an unstated pleasure. The satire is still telling; the outward features of the latest Aesthetic Movement may change seasonally, but the waffle and bumbag that attach to artistic fashion are of a hardly-changing and regularly-recurring kind. Much of the delight to be had from John Cox's delicate and stylishly in-period production, in John Stoddart's agelessly curlicued sets, derives from heartfelt gratitude at the avoidance of easy topicality, of the up-dated re-writing that might well have been found, and even justified, in a modern Potience. Instead, the production allows, and the cast invites, the audience to draw its own parallels; and these are not slow to be gathered.

At the same time, the manner of the production leaves one in no doubt that this is one of Sullivan's most elegantly fashioned scores, with details of wit and charm that unassuming grace every page and every number. A Potience given

with dull, unfunny comic acting would be self-evident torture; but a Potience heavily or insensitively sung would cause suffering of a perhaps less obvious but not less penitential kind.

It is a special merit of the current ENO cast that with only one exception (unfortunately, a principal one) its members show themselves quite as deft vocally as in all the other arts of comedy: the four-fifths of the evening are handsomely musical.

Triumphantly returned to the roles of Bunthorne and Lady Jane are Derek Hammond-Stroud and Anne Collins. The mixture of grand style and monumental absurdity that is the recipe for all first-rate operetta acting has been perfected by both; for all their long experience in the production, neither is tempted to overplay, or step out of character in search of audience approval; and both are found in splendidly relaxed vocal form, Hammond-Stroud especially so.

The "aesthetic" ladies, new apart from Shalagh Squires' deliciously angular Sappho, each pursue with no less mastery a single line of humorous exaggeration. Sally Burgess's Angela is beautifully overdone by warmth and passion; Jane Eaglen, a company debutant with a soprano of ringing promise, clashes Ella's cymbals with wonderfully hearty epepepepe. Christopher Booth-Jones's Grosvenor is also an introduction of high promise, with Burne-Jones looks of apt pallor and a nice way of enjoying his own artful simplicity. The object of his and other affections, Patricia O'Neill's Potience, does very well with the dialogue, delivered in the ripest of Welsh accents; but her singing, always well-intended and brightly offered, notably lacks freshness and purity of tone. A flaw, then, but hardly serious enough to spoil a happy evening.



Shalagh Squires (top), Derek Hammond-Stroud and Patricia O'Neill

On Golden Pond/Connaught, Worthing

B. A. Young

Audiences that glowed in the sentiment of the movie can recapture it in Ernest Thompson's play from which the film was adapted—all of it, that is, but the lake and the Fondas, without the views of summer-time Maine that is rather deflated; we are left with half a dozen familiar American character-studies, studied in the manner of Norman Rockwell, but with hardly anything to do.

begin with Norman Thayer, verging on 80, his memory going, his heart ready to stop. Paul Maxwell plays him pleasantly, his throwaway cracks nicely thrown away, his arthritic movements truthfully observed; being a Canadian he can produce a convincing New England voice. Ethel, the wife, played by Eleanor Summerfield as a motherly lady with her youth still showing at the edges, does the housekeeping in the pretty summer cottage, a smashing design by John Hilder. They are visited, in successive scenes, by Charlie the laughing male-female, Chelsea their daughter and her new boyfriend Bill with his teenage son Billy by a former marriage.

The contents of the first act amount to the information you would expect to know before Chekov wrote his first line of dialogue. In the second act Norman is unexpectedly saddled with Billy, as Bill and Chelsea visit Europe (where they get married). He turns this cool Californian boy, whose only admitted sport is "cruising the chicks," into a young fisherman with a devotion to his school books equal to his devotion to the fish. In return Billy has changed his resigned ill-natured antagonism into a friendly nudge-substitute. Everyone ends up happy, and if Norman seems momentarily in danger of a fatal attack of angina it's only to keep the curtain up a minute longer.

Joan Kemp-Welch's direction is good enough to make us believe that something has really been happening. Cookie Weymouth, Robert Gary and Robert Duncan as Chelsea, Charlie and Bill are lifelike stereotypes, and Gary Kietly, a graduate of Grange Hill, has only to swoop his East London dialect for its Californian equivalent, or as much of it as Mr Thompson offers us, to make us believe in him and even like him.

ECO/Elizabeth Hall

Dominic Gill

The English Chamber Orchestra's present series, of which Wednesday's concert was the third of four, combines Britten and Mozart. (The pairing is effective and perfectly workable; and how refreshing it would have been if, instead of groping after tenuous connections, our programme-book had declared them merely to be utterly different composers, of radically different sympathy, nature and stature, the best of whose music always deserves to be played.)

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ment; the Scarbo-like glitters of the scherzo; the unexpected effervescences (linked by a rich cadenza rumination) of the adagio and passacaglia. It was a reading of splendid concentration and cogency; of more rhythmic agency indeed, and generally more vivid presence, than Rostropovich's on disc. The conductor was Stuart Bedford, who also directed a lively, eager—almost over-eager—account to begin with of Mozart's Paris symphony; capable, bedside manner. Mozart, all genial reassurance. The soloist and director from the keyboard of Mozart's A major piano concerto K488 was Murray Perahia, whose playing was by a large and exquisitely controlled, and whose gestures during the titilla seemed by and large redundant. The performance got better and better. The adagio was beautiful, but imperfectly, unevenly voiced; the finale was a joy—relaxed, effortless, radiant. In the best of all possible musical worlds, they would have started a second performance.

Saleroom

Antony Thornicroft

A watercolour of Bellagio, on Lake Como, by Myles Birket Foster, sold for £12,960, over twice the forecast, at Christie's sale of English drawings and watercolours yesterday which totalled £112,423 with 7 per cent unsold. The buyer was Christopher Wood, the London dealer, who was an active bidder; he paid £5,840, also well above estimate, for a woman and child by Henry Raymond Thompson, sold by the artist's son. "Garden spoil" by George Kilburne made £8,264 and "Tree sparrows and huffins" by Archibald Thorburn, £5,400, to the Tryon Gallery. Top price at Sotheby's decorative arts sale was the £3,740 paid for a Liberty and Co "Cymric" silver and enamel frame of 1903. The estimate was £500. A set of 1936 Charles Boyton silver flatware, 80 pieces, doubled its forecast at £2,750.

The Scottish Arts Council announces 1984-85 budget. The Scottish Arts Council has announced its budget for 1984-85. The Council's chairman, Gerald Elliot, said that SAC's grant-in-aid had been confirmed as £11,879,000, an increase of 8.08 per cent on the sum for 1983-84. However, this amount included a special grant of £300,000 for Scottish Opera from the sum earmarked by the Minister for the Arts in the grant to the Arts Council of Great Britain.

Jill Gomez/Wigmore Hall

David Murray

Miss Gomez, always an interesting artist, offered an all-French recital on Wednesday with Roger Vignoles at the piano. All-French, that is, we count the three melodies that Manuel de Falla composed to pretty Gaudier texts in 1903. A fantasy of doves, a bit of choral-erie and finally a candid seguidilla: Miss Gomez turned each charmingly, with bright piano-creaky, clear voice was in imperative form throughout, giving faultless support with any amount of imagination. The

Fall seguidilla resembled Berlioz's "Zaide" which we had heard earlier, not least in auiting the Gomez style to a "L". There was nonetheless some unsettledness in the actual singing, a nervy quality that became noticeable in the calmer songs. Of Berlioz we had also "La Belle Voyageuse" and the pathos-laden "Le Captive" and in both—as with Debussy's four Proses Lyriques later—one felt that the soprano was hovering uncertainly between straight

lyrical effusion and dramatic monologue. Plenty of sensitivity, but a slightly experimental air. I feel sure that the verbal elaborations of Debussy's own texts flow better as mood pieces than as declamation, in which manner they sound twice as well as Fey. Four early Debussy songs, recently unearthed, were more straightforward and winning, very much of their period (the 1890s, not the prenatal "1818" as misprinted in the pro-

gramme). Miss Gomez knows just what to do with such things, and did it. The recital concluded with five "bons bons from La Belle Epoque": for the reason sketched above an old Haban favourite made an odd, equivocal effect, but other numbers—especially a Spanish act by Delibes—went with the admired Gomez verve and teasing lightness. She took us by surprise with a serious, stately "La cloche" by Saint-Saëns, all melancholy poise and quite beautifully sung.

Theatre in Barcelona

Ossia Trilling

The Spanish theatre is not confined to the Castilian language used by Lope de Vega and Garcia Lorca. Catalonia has its own ancient tongue, as those theatregoers outside Spain will know who have

tasted the theatrical joys of the Catalan Els Joglars ensemble on their various visits abroad. One such was their La Cincia, seen at London's Riverside Studios some years ago, with its outsize puppets

and extravagant costumes designed by the late Joan Miró. No less admirable is the work of the Teatre Lliure ensemble, founded eight years ago by two Catalonians, who did their theatrical

apprenticeship in exile as students of the Polish Theatre in Warsaw. The director Lluís Pasqual and the designer Lluís Puigserver have clearly come under the influence of a non-naturalistic method of staging that lies somewhere between Peter Brook and Jerzy Grotowski, and this is plainly mirrored in their most recent production of As You Like It, at the slyly named Lliure, or Free Theatre.

Half the joy of their production lies in the imaginative decor and the stylistically hybrid costumes designed by Puigserver, now the sole director at the Lliure, since the departure of Pasqual to Madrid to take over the running of the National Theatre, after Nuria Espert's return to her native Barcelona.

Her outstanding contribution to the theatrical tradition of Barcelona, apart from the tour of Lorca's Dona Rosita which was seen at the 1983 Edinburgh Festival, has this season also been an unorthodox production, in Catalan, of The Tempest. Another aspect of the Catalanian penchant for Shakespeare was to be seen at the Gran Teatre del Liceu in the successful Pasqual-Puigserver production of Verdi's Falstaff, which has earned them an invitation to stage Le Nozze di Figaro there next year. I am told that the inter-verse translations into Catalan of Shakespeare by the poet Josep M. Sagarra are both beautiful and faithful. The con-

tinuous laughter of the Lliure audience during As You Like It confirms this. This old box of a proscenium theatre with a narrow gallery has been converted into a flexible space-stage.

For As You Like It, the audience sits on three steeply raked sides surrounding the stage and sees itself mirrored in the fourth back wall as the play opens. This is then hoisted to form a sloping ceiling over the acting area, where the passing of the season in the Forest of Arden is nicely suggested by the sprinkling of snowflakes, flowers, petals, hay, autumnal leaves and suchlike on the stage floor by the company.

The 19th-century garb of the Duke's court gives way to a mixture of modern and renaissance costume, with distinct echoes of the circus-ring or the English music-hall for the comic characters. A comely Rosalind (Anna Lizaran) and a gallant Orlando (Lluís Homar) lead the dance, delivering their dialogue with passion and tongue-in-cheek by turns, while a slightly curtailed number of the dramatic personae share some of the roles between themselves, irrespective of sex (to tally with Shakespeare's mood, according to Puigserver). The no longer youthful Carlota Soldevilla, for instance, doubles neatly, though not without some challenge to her powers of make-believe, as Old Adam and the good Duke.

Saleroom

A private collection of sculptures and paintings is to be sold at Christie's in Amsterdam on March 8, the proceeds of which are to go to Mother Teresa's Hospice in Calcutta.

The collection, the emphasis of which is on Medieval sculpture and pictures from the 18th to 19th centuries, was assembled by a couple who set up a fund, called The Witnessing of God's Love Foundation, in 1983. The foundation supports projects in Third World countries.

The founders have just moved out of their large house in Belgium, which is why Christie's is auctioning their extensive art collection. This includes an early triptych "Christ Mourning at the Feet of the Cross" from the Flemish School from around 1540. The 90 sculptures and wood reliefs include a mid-13th century northern Spanish or Scandinavian polychrome wood group of the crucified Christ, flanked by the Virgin and St. John.

One of the most famous items of art deco design in the UK—the clock which for almost 90 years hung high above the heads of customers in the Oxford Street store of Bourne & Hollingsworth—is to be sold at Christie's on April 17. A price of about £30,000 is forecast. The clock, built by Gillett and Johnson, was installed in 1927 and taken down when the store closed. It will be sold with its musical chimes, played on six bells.

BOB FOSSE congratulates ARTURO BRACHETTI the star of 'Y'



Photo: Alan Davidson

"The show is glossy dazzling showbiz at its very best. Arturo Brachetti is remarkable," said the creator of "Cabaret" with Liza Minnelli after seeing the Musical Cabaret 'Y' at the Piccadilly Theatre.

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Friday February 17 1984

U.S. anti-trust bares its teeth

THE U.S. Justice Department's decision to block the proposed merger between Republic Steel and LTV Corporation has come as a considerable shock to the American steel industry.

Rationalisation through merger has been seen as one of the ways in which the industry could shed obsolete capacity and make itself more efficient. It has also been assumed that the Reagan Administration's generally permissive approach to large-scale horizontal mergers would permit rationalisation to proceed without running into anti-trust obstacles. It now appears that the steelmakers will have to re-think their strategy.

This is the first major decision by Mr Paul McGrath, recently appointed head of the Justice Department's antitrust division. It has inevitably aroused speculation that he intends to take a tougher line on mergers than his predecessor, Mr William Baxter. Yet it is arguable that the LTV-Republic decision is not out of line with the merger guidelines published in 1982 and is consistent with other recent antitrust decisions.

Central issue

The 1982 guidelines did reflect a more favourable attitude toward mergers; the assumption was that most mergers were good for efficiency and that government intervention should be kept to a minimum. But the objectives of merger policy were unchanged—to prohibit mergers that create or enhance market power, defined as the power "probably to maintain prices above competitive levels for a significant period of time."

In this context the level of market concentration resulting from a proposed merger continues to be a central issue for the antitrust authorities to consider. As the Justice Department saw it, the LTV-Republic merger would create unacceptably high concentration in three sectors of the steel market. By contrast, the Gully Oil-Texaco merger, which was recently cleared by the Federal Trade Commission, does not significantly increase concentration in the U.S. oil producing business—a far more fragmented sector than steel.

The guidelines also call for a firm response to the argument that a merger which enhances

market power can be justified by reference to the efficiencies it will produce. The Department will require "clear and convincing evidence" that the merger will produce substantial cost savings through economies of scale and integration of facilities.

Savings

Mr McGrath was not persuaded that the LTV-Republic merger would yield the savings which the companies claimed, or that the economies could not be achieved by other means. He recognised that the steel industry was in a state of crisis and he suggested that other forms of rationalisation might be considered—such as a reshuffling of plants between companies, which fell short of full-scale mergers.

The companies had argued that the merger was necessary to improve their ability to hold their own against international competition. But as the Justice Department pointed out, imports are severely restricted, particularly from the EEC and Japan. As long as these formal or informal arrangements continue, the industry is to a considerable extent insulated from foreign competition.

The Justice Department's ruling is important for two reasons. First, it shows that, despite the recent shift in American antitrust thinking, large-scale horizontal mergers can still be seen as a threat to competition. Second, it shows that the vigour of competition, at least in industries which are exposed to imports, depends at least as much on trade policy as on antitrust policy.

One of the reasons for inefficiency and technological backwardness in the American steel industry has been its success for much of the period since the late 1960s, in obtaining protection against low-cost imports. This has served to discipline the necessary attack on high costs (especially waste costs) and to keep prices higher than they need have been.

An open trade policy is a more powerful stimulus for modernisation than the protectionist policy of the LTV-Republic case. The implications of the Justice Department's ruling in the LTV-Republic case need to be noted carefully in other parts of the Reagan Administration.

Planning UK public spending

THE WHITE PAPER on public spending published yesterday deserves a fairly wholehearted welcome—or most of it does. Most important, it suggests that the system of cash planning is indeed beginning to achieve reasonably tight control of the totals. As a result, the outturn which will set the debt side for Mr Lawson's first Budget looks like being remarkably close to the estimates made in November. What is more, there is much less fudge in the plans for the coming year.

Last year the contingency reserve was reduced, and credit was taken for some quite improbable underspending, in order to reach the desired total; hence the gloomy, defeated air of Mr Lawson's first weeks in office. Next November he will, with luck, be spared the need to hector his way out of a set of nasty surprises.

Honest

The new White Paper also marks a long stride along the road to a comprehensible document which could even form the agenda for an informed debate on the great issues it treats. The first cash planning White Paper was a virtually unintelligible heap of numbers. The second was somewhat more forthcoming, but disguised by sleight of hand.

This one is not only honest but explicit and easy to follow—especially the explanation of individual programmes, which is a model of what can be done in a limited space. It has its controversial—or, some would argue—downright—deceptive passages; but it is so lucid that the disguises are fairly easy to penetrate. For all this, much gratitude is deserved.

More seriously, this restraint is still achieved only by holding public sector capital formation down to a very constrained level. The point here is not that the Government's strategy could lead to the destination only too familiar in parts of the U.S.—public squallor in the midst of private affluence.

Political

That is a political choice, and everybody knows Mrs Thatcher's priorities. It is rather that some of the measures which are in the long run essential, but in the short run easy to postpone. To postpone such work at a time when the relevant resources are lying idle is not sensible economic management.

It is still less so when the Government consequently has to spend more on the idle men. Unfortunately the White Paper suggests that the Treasury is as far as ever from acknowledging this concept. A highly political set of statistics seeks to show that capital spending has really been quite stable. This is achieved only by including defence "capital" which is no sort of contribution to the infrastructure. The point which is left out is whether the public sector can make its expected contribution to future output.

It is in this field of general philosophy that the Government is still failing to make its case. Indeed, the White Paper leaves room for the suspicion that the Government has its philosophy of defence "capital" which is no sort of contribution to the infrastructure. The point which is left out is whether the public sector can make its expected contribution to future output.

THE Public Expenditure White Paper 1984-85 to 1986-87 does not have the political thrill of the annual battle between the Treasury and the spending departments or the secretive glamour of the Budget Speech when MPs and reporters wait with bated breath to learn what their tax rates are going to be.

Yet it would be wise to pay more attention. For the figures in the Public Expenditure White Paper for the years 1985-86 and 1986-87 provide the context of future annual spending battles and therefore of future taxes.

The Treasury will try to hold the spending departments to these provisional totals, while the spending departments will put in new bids and accuse the Treasury of demanding "cuts," simply to bring the total back to what was originally agreed. There would be less "shock, horror" on the part of both the spending departments and the interest groups which surround them if they and the Chief Secretary—look more seriously negotiations for plans extending more than one year ahead.

The spending totals now set out are in cash, and no longer "funny money." If inflation is

An emphasis on stabilising real spending total

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Wall Street's weekend

Fierce debate rages on Wall Street—and, for once, it is not about Fed monetary policy, or the U.S. budget deficit, or the state of the U.S. economy.

It centres on the key question of whether the Fed's harassed traders and economists will take advantage of the shift in timing of the weekly release of M1 money supply figures to make an early break for the coast, or the bank.

From yesterday, the figures are being released on Thursday afternoon instead of Friday. And seasoned traders, recalling hazy days under a similar regime a few years ago, believe this could lead to a new and more relaxed era.

Until now, they have had to wait around until late Friday for the figures from the Fed, and then spend the weekend worrying about their implications.

The new timetable should allow for a more considered market reaction and an extended and more carefree break.

As one senior Wall Street analyst said yesterday: "My wife has been pressing me to go out to dinner on Friday nights with the press. Now there is a chance I might be able to make it."

Wall Street wives are not the only people who have been eagerly waiting for the change. Bar owners in the area—and around the exchanges in Chicago—have also had their fingers crossed. Trade may fall on a Friday, but they expect a more-than-compensatory surge in Thursday night custom.

Everyone seems to agree that the change will bring initial confusion and perhaps greater volatility in the markets; but that it will not reduce Wall Street's hypersensitivity to the M1 number, despite the Fed's attempt to shift the emphasis towards wider aggregates.

Wall Street messengers will still have to queue for hours ahead of the 4.15 pm release to get their copies of the figures.

ECONOMIC VIEWPOINT: PUBLIC SPENDING

Trying to hold back Leviathan

By Samuel Brittan



PUBLIC EXPENDITURE PLANS

	Total public cash £bn*	% Increase cash	% Increase real†	Treasury committee's estimate‡
1979-80	76.9	17.0	0.1	
1980-81	82.7	20.5	1.5	
1981-82	104.7	26.5	2.6	2.3
1982-83	113.4	8.3	1.5	2.7
1983-84	120.3	6.1	1.1	2.0
1984-85†	126.4	5.0	0	1.0
1985-86†	132.1	4.5	0	
1986-87†	136.7	3.5	0	

* Excludes debt interest. † Cost terms. ‡ Excludes sales, etc (explained in text). § Estimate. ¶ Forecast. † Very approximate.

Source: Public Expenditure White Paper.

profile of expenditure movements month-by-month over the year. In addition the continuing growth of public expenditure not only policy changes but also changes in the estimates of the costs of "existing policies."

Next year, spending in cash terms should rise by 5 per cent—which is approximately the rate of inflation predicted in terms of the GDP deflator last autumn when this figure was agreed.

In 1985-86 and 1986-87, cash spending is expected to rise by 4½ per cent and 5½ per cent respectively. This path clearly reflects the Government's expectation of declining inflation, although some people will be relieved and others upset that there is nothing which implies a commitment literally to zero inflation. (Indeed when the U.S. experienced "creeping inflation" of up to 3 per cent in the 1950s and early 1960s there were quite a few "sound money" economists who argued that if allowance was made for quality improvements not reflected in price indices, the U.S. was experiencing "stable prices" for all practical purposes.)

The social security section of the White Paper does contain assumptions about inflation rates of 4½ per cent in the year to May 1985 and 4 per cent in the year to May 1986. But for once the disclaimer that these are not forecasts can be taken

seriously. The figures refer to the RPI, not to the wider GDP deflator used to measure the real growth of public expenditure. More important, they reflect the economic forecasts of last autumn when the spending plans were negotiated and not the new forecasts which will surface in the Budget.

When it comes to specific programmes, the Treasury seems to have won its battle to prevent the pledge to NATO to provide 3 per cent annual real growth in military expenditure from being renewed after it expires in 1985-86. If military costs are really rising faster than the general price level, as the brasshats claim, then we can look forward to some eventual modest fall in the volume of military spending. (I was going to add "provided the Treasury sticks to its guns," but the metaphor is perhaps unfortunate.)

The big theological issues have become the treatment of "special sales of assets"—the Treasury's name for privatisation issues. These are expected to rise from just under £0.5bn in 1982-83 to £1.2bn this year, and £1.9bn in 1984-85. They are then expected to level off at £2bn in both 1985-86 and 1986-87.

At present, asset sales are treated as negative expenditure and reduce both public spending and the Public Sector Borrowing Requirement. The case for excluding them from public

expenditure—which could be done simply by treating them as receipts—is to my mind stronger than the case for excluding them from the calculation of the PSBR.

But even if they are to be excluded from public expenditure only, a number of questions remain unanswered. First, why just pick on privatisation? Council house sales are also asset sales which go to reduce the public expenditure total.

It is not, however, possible just to exclude items which happen to be in the headlines without playing havoc with the consistency of the public sector accounts. The Chancellor has pointed out that if the Government acquires assets it is treated as an increase in public expenditure; on this convention asset sales count as expenditure reductions.

The Treasury committee suggest a distinction between investment in new assets and purchases and sales of old ones. But it confines itself to recommending in black type the exclusion of asset sales from the PSBR without any recommendation on the consequential changes which would be necessary throughout the public sector accounts.

One Treasury committee expert witness, Terry Ward, has estimated an alternative public expenditure index which excludes special asset sales. It also excludes certain other

items. For instance the reduction in employers' National Insurance Surcharge automatically reduces public expenditure, without any real change in the scale of public sector activities. Changes in the administration of housing and sickness benefit have also brought about simultaneous reductions on both sides of the accounts.

Even the Ward index is far from the last word. For instance it excludes council house sales and other distortions which he himself emphasises in another more backward-looking table. As council house sales will soon reach a peak and decline, and asset sales will reach a plateau next year, it is highly likely that the different concepts of public spending will diverge much less in their rates of change from 1985-86 onwards.

Quibbling about definitions does not change the broad picture. Until 1981-82 the ratio of public expenditure to GDP was rising sharply under the influence of recession. This affected the ratio in two ways. It forced the Government into recession-related spending—not only unemployment pay, but extra help for industries such as steel and coal and other first aid measures for the victims of economic slowdown. Since then the public spending ratio has been on a very gradually declining

path, both because spending has been under better control and because the resumption of economic growth has raised real GDP.

Of course, if you believe that the public spending percentage is a precise indicator of the encroachments of government on the individual—or, from a different point of view, of the degree of social concern and compassion—then the exact definition of public spending is terribly important. Similarly, if you believe that "sound finance" requires an exactly balanced budget, then the definition of the PSBR is vital.

But if you do not believe any of these things then you will accept that there is an inevitable conventional element in what counts as revenue and what counts as outlay spending, in what is counted as the reduction in government borrowing and what is counted as a way of financing a given borrowing total.

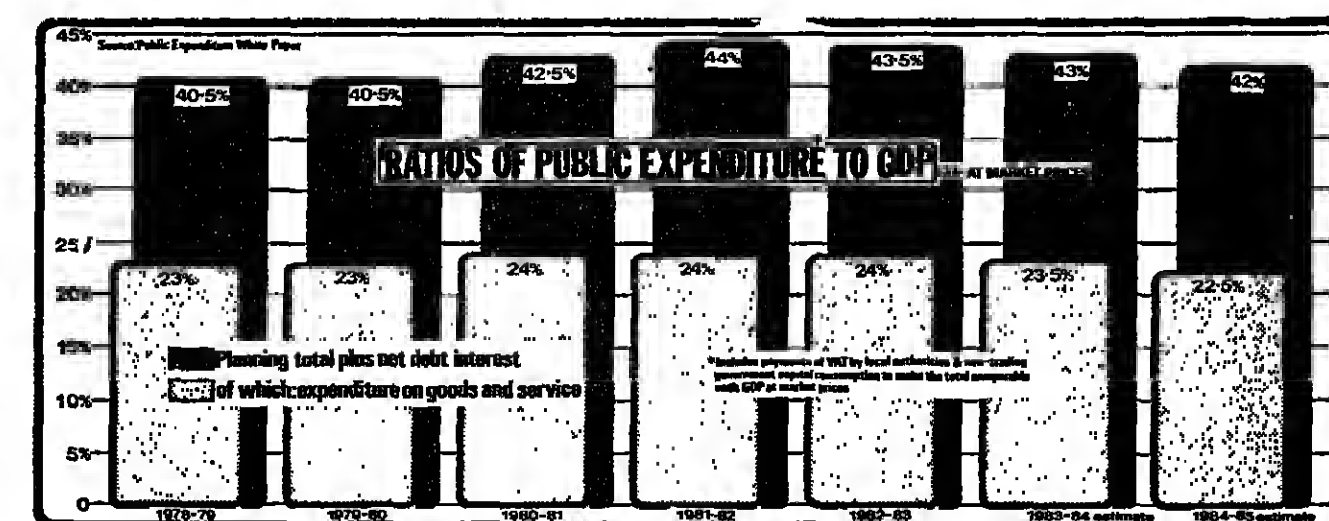
The most straightforward procedure would be to publish revenue and expenditure side by side in a single document so that people could shift items

from one side or the other as they chose and realise how little difference it made. For a decade-and-a-half the Treasury has been feeling its way towards such a presentation, but has never yet got there—partly because expenditure and revenue are in charge of completely different officials, who rarely come together in their working lives.

In any case it is high time that Part 1 of the Public Expenditure White Paper, which deals with the overall totals, were presented in a new and more civilised form. At present it contains rows and rows of unexplained figures, which are completely meaningless unless one can translate them instantly in one's head into percentage terms and memorise the result. Even the "child's guide" presented in the Treasury's educational Progress Report is better than the White Paper itself.

What is completely missing is an account of the Government's strategy and aims for public expenditure: why it wants to stabilise the total, and how it proposes to do it, and why some sectors are changing relative to others. Nor is there an explanation of the privatisation programme, still less a contribution to the much-heralded debate on the longer term.

If a key document covering more than 40 per cent of the whole economy falls year after year to generate the great national debate, which in principle it should, is it not time that somebody started to think through its design function and approach from beginning to end?



Graham Leaver

Men & Matters

When William Miller was Fed chairman during the Carter Administration, he is said to have quipped that most Americans thought the Federal Reserve System was an Indian reservation, a national forest, or a rare, old whisky.

Things are different today. Current Fed chairman Paul Volcker, is often rated second in importance only to the U.S. President, and people no longer think of M1 as a sort of rifle.

Out-sold

Food for thought for Irish businessmen at a Dublin lunch yesterday.

The best way to sell cosmetics in Germany, Dusseldorf marketing consultant Jorg Jeannet, told them, is to suggest an Irish connection. "Irish Spring" is a top-selling soap, and "Irish Moss" is a popular after-shave lotion.



"Now you stay on there or Mr Kinnock will get you!"

stand he will continue to be based in Geneva. But it is still not clear whether he will get a seat on the main American Express company board.

Worth a lot

Just a month after Christie's lost some of the late Mrs Florence Gould's jewels in an armed raid on its St James's premises, the firm has announced that it is selling her furniture, silver, porcelain and works of art in Monaco in June.

It is rare for the executors of an estate to use both the rival auctioneers, but Sotheby's holds sales twice a year in Monte Carlo, close to Mrs Gould's long-time home in Cannes. Widow of an American railroad billionaire, she was a Riviera celebrity, noted for wearing her egg-shaped pearls even for a morning's shopping trip.

It is unlikely that Christie's lost out on the furnishings and fittings because of the jewels raid. Insurance will make good the loss. But it does raise questions about the key element in the Gould collection—her paintings.

The jewels and the furnishings are expected to bring in about \$5m each, but the paintings, including Impressionist masterpieces as well as Old Masters, especially of the 18th century, will be worth a good deal more.

Both salerooms will be bidding ferociously for that lot.

Changing times

Who says women aren't emancipated? A colleague, who recently became a proud father, found himself earnestly discussing the merits of disposable nappies with the male managing director of a financial services group over lunch the other day.

A woman press officer in attendance, clearly ignorant of such matters, sat through the exchange in bemused silence.

Observer

George
Our search for new offices
close to Heathrow, how's it going?
Drive past a super new building
in Staines Road, Harefield, about
10,000 sq ft, air conditioned,
and with car parking
Can you find out
more please?
Colin, it's called Mitre
House, 11,095 sq ft.
Including ancillary
accommodation, 30 car
parking spaces, available
now and well within
our budget.
Suggest you ring the
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INDIA IN ELECTION YEAR

Mrs Gandhi prepares her ground

By John Elliott, South Asia correspondent in New Delhi

BY THIS time next year Mrs Indira Gandhi will have been removed from the premiership of India for the second time and her political career will be almost over. Or at the age of 67, she will have won a new mandate for herself and the extra time she needs to groom her son Rajiv as the new standard bearer for the family dynasty, which started with her father, Jawaharlal Nehru, the country's first Prime Minister.

Since she was elected four years ago, after three years in opposition, Mrs Gandhi has had some success in invigorating the country's sluggish economy. She has eased bureaucratic and other industrial controls and extolled the importance of advanced technologies, while not ignoring the poverty of the vast majority of the country's 700m population.

Politically she has been trying to live down the memories of her controversial 1975-77 state of emergency, keeping a tight control as possible on her son and her country from New Delhi. She has had to cope with sectarian violence in states like the Punjab and Assam, and with extremist problems in other border areas like Kashmir.

She has kept up a policy of linkmanship with Pakistan, but has also struck a balance between the East and the West which internationally has given her extra credibility as current chairman of the Non-aligned Movement.

The stakes involved in winning another term of office and the eventual succession for her son seem now to govern almost every political move Mrs Gandhi makes.

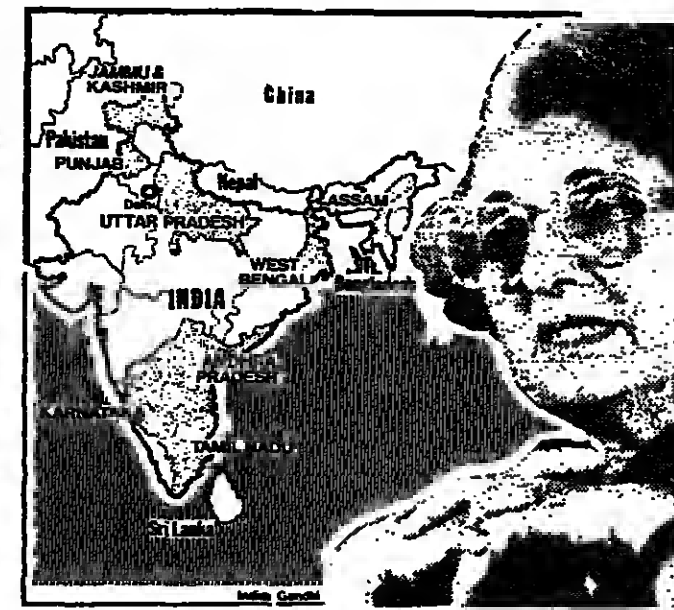
Even the execution last weekend of Mohammad Maqbool Butt, the Kashmir separatist leader, a few days after an Indian diplomat was killed in Birmingham, is seen by some as a demonstration of firm central Government action in the face of violent factional opposition.

The message is simple: since Mrs Gandhi's Congress I (for India) party is the only viable national party operating in India, it alone is fit to govern.

She must go to the country by early January, five years after she defeated the former short-lived Janata Administration, and she might be persuaded to go earlier: a good monsoon last year, the disarray of her political opponents, and the international acclaim India received as the host of last year's Commonwealth and Non-aligned conferences, could still encourage her to go to the polls soon.

Parliament in New Delhi was last week summoned for its budget session, to start on February 23. This is widely regarded as a signal that barring unforeseen crises there will not be an early poll. Mrs Gandhi could still surprise observers by having a small budget and cutting short Parliament's three months of subsequent debate to hold a spring election. It now seems more likely, however, that she will go to the country either in the autumn or at the end of the year.

A later election would give Rajiv longer to develop as a politician who could take up his first ministerial post if she wins. It would also give her more time to discover a unifying



theme to offset the growing appeal of the regional political parties.

The Congress Party has dominated Indian politics since before independence and has ruled since 1947 apart from the short-lived 1977-1980 period of Janata party government. It has tried to assert strong central control over the country's federal structure. In 1980 it was elected with 351 out of 542 seats in the Lok Sabha (parliament), but with only 43 per cent of the votes cast. No opposition leader approaching Mrs Gandhi's stature and popularity has emerged.

The rumour of the earlier Janata Government, led by Mr Chandra

Shekhar, has now formed a Left-inclined alliance which has been holding meetings with the country's two Communist parties, and some regional parties such as the one run by Mr N. T. Rama Rao, a former film star, in Andhra Pradesh.

It is the regional parties which really worry Mrs Gandhi. A year ago she suffered humiliating defeats in the previous Congress strongholds of Karnataka and Andhra Pradesh, and a regional party is in power in Tamil Nadu. The regional party in Jammu and Kashmir is in bitter conflict with her central rule, as is the Communist government in West Bengal. In Assam and Punjab,

governed by Congress (I), militant local communities want to wrest powers from New Delhi.

Although this agitation often leads to violence and bloodshed, there is no threat of India breaking up. Separatist movements abound, but the real demand is for the states to be given more economic and other powers.

In her favour in any election is the relatively strong economic situation. Mrs Gandhi has loosened India's traditional protectionist policies, and the U.S. and West Germany have just overtaken the UK as major investors and industrial collaborators. Japan has decided for the first time that India is a fruitful industrial as well as trading partner.

These countries are recognising that India is a most attractive, though still difficult, country to operate in. But industrial growth, hovering at around 5.5 per cent, is still held back by bad electricity supplies, communications problems, and a cumbersome and often corrupt bureaucracy.

The current account of the balance of payments is healthy, however, with gross reserves equalling four months' imports, and Mrs Gandhi has been able to tell the IMF that India does not need the final SDR 1.1bn of its three-year SDR 5.2bn short-term loan due this year.

The government is still short of longer-term development finance and is worried by the cut in the World Bank's International Development Association long-term soft loan funding. Public spending has been pruned by 5 per cent for the

rest of the financial year and projects have been delayed because of a shortage of domestically raised public funds. Mrs Gandhi has referred to a "financial crisis" hitting all project expenditure, which may be an overstatement, but the government is determined that India should avoid the debt problems of countries like Brazil in its development.

Mrs Gandhi's long-term strategy is still in doubt. Her recent manoeuvres have been kindled speculation that she might try to gain ascendancy over her political opponents by revising the constitution and either delaying the election or making herself into a U.S.-style executive president.

Her son says an executive presidency was considered "two or three years ago". But although it would have provided "a unifying force," it was not thought worthwhile. Alternatively but less probably, she could move in to semi-retirement in the present non-executive Presidency when the incumbent's terms of office expires in three years. This would leave the way clear for Rajiv Gandhi to succeed her.

Her first challenge is the general election. It is generally assumed that she will lose some seats, especially in the South, but will probably hold onto power. The big possibility, one that she will find difficult to stomach, is that she will be forced to forge an alliance with the Communists or some of the other smaller parties which have proved such an irritant in the past.

Politics today, by Malcolm Ruthven, will appear tomorrow.



Maneka and her four-year-old son were thrown out of the family home nearly two years ago by Mrs Gandhi. She would have little chance of winning an election against Rajiv elsewhere, but might just beat him in Amethi.

Congress I is preparing the ground well, however, and Rajiv confidently states that he will win. He could insure his political future by standing somewhere else at the same time (all candidates can stand in more than one constituency) but says: "I am 90 per cent convinced I don't need it."

Lombard

Why frankness is the best policy

By David Buchan

MRS THATCHER put it the right way round when she said in Moscow this week that arms control needs a climate of better and broader East-West confidence if it is to succeed.

Confidence, she could have gone on to say, requires that one side can place a degree of trust in what the other says. Otherwise, the "trust issue" will become an even bigger obstacle in arms control negotiations, where the West has laid increasing emphasis on proper verification and checks that the Soviets would do what they say.

In this sense, it is a Soviet setback to have the West discover in the past week that Soviet officials had been telling, albeit for very understandable reasons, an extended and elaborate untruth about the late Yuri Andropov. The Soviet claim, repeated for six months, that Mr Andropov had simply died, was very thin. But so long was the catalogue of his ailments announced after his death by his doctors, that all the rumours in the West about diabetes and kidney problems turned out to be only part of the sad truth.

The Andropov case was, perhaps, an exception. But its perverse effect will be that the minute the 72-year-old Konstantin Chernenko misses a speech or a parade in the Soviet official calendar, perhaps because of a bone fide cold, the rumour mills will whirl into action, inside and outside the Soviet Union.

It is harder for leaders in parliamentary democracies to escape close scrutiny; they have to stand up regularly in their legislatures for their systems, between elections, can provide fractionally more privacy. In earlier days of the U.S., a discreet veil was drawn over the health problems of Presidents Wilson, Roosevelt and Eisenhower towards the end of their terms. That is impossible these days.

Quite apart from their abhorrence of the "fish bowl" lack of privacy in which western leaders function, there is another reason for the Soviets' intense secrecy about their leaders. They know that foreign governments, like the Kremlin itself, keeps dossiers on the health of other leaders, and make their diplomatic calculations accordingly. If a leader is known to be sick, his foreign counterparts may choose not to: a) support him, b) oppose him, or c) negotiate seriously with him.

To take an historical example, it can be argued that India might not have been partitioned if British and Hindu leaders had known how seriously ill was Mohammed Ali Jinnah, the Muslim nationalist leader of Pakistan who died a few months after partition. To take an immediately pertinent example, western leaders might not have bothered to try to negotiate with Mr Andropov had they known how ill he was, and equally might be tempted to slacken their efforts, if they came to suspect the same of Mr Chernenko.

If the Soviet Union were less important a country and run by a truly collective leadership, as in post-Tito Yugoslavia, where almost facelessly the presidency rotates every year and the premiership every four years, all this would not matter so much. The Soviets might not mind telling more about their current General Secretary, and the West would not be so anxious to know. But the Soviet Union is a nuclear superpower, at least in the past, by general secretaries who have built enormous power out of their primus inter pares position in the Politburo.

Is there a Soviet self-interest in being frank in the future? It would probably not lie in the painful personal side-effects of present practice; apparently for fear that his early departure from the Stockholm disarmament conference would give the world a sign, Mr Andropov's diplomat son, Igor, did not arrive back in Moscow until after his father had died.

It could lie in an awareness that Soviet credibility has been damaged by the handling of the Andropov demise. It needs repair, if the new Soviet leadership is to get the arms control agreements it says it wants.

Recently, Soviet negotiators in the conventional arms talks in Vienna and the chemical weapons disarmament talks in Geneva have shown more willingness to agree to verification measures. Verification in arms control and veracity in public statements are needed. They are two sides of the same coin.

RAJIV GETS ACCUSTOMED TO HIS PLACE IN THE DYNASTY

RAJIV GANDHI, Mrs Gandhi's 39-year-old son, is now prepared tentatively to admit that one day he may stand to be Prime Minister of India. He acknowledges that he is "in politics for life."

But when asked whether ultimately his ambition is to succeed his mother, he says: "I think that question will come up, yes. And I would not shirk the issue." But he adds that he has been in this game only for a couple of years, and needs more experience. It is "all a long way off," he says.

The reluctant answers are

not those of an experienced politician parrying questions. Rajiv Gandhi is a shy, quietly-spoken man who seemed not to have had any intention of entering politics until his controversial and politically active brother Sanjay died four years ago in an aircraft crash. Rajiv was then an Indian Airlines pilot and appeared happy with his life. He is married to an Italian wife.

Nevertheless he seems to have accepted his potential destiny, and has developed considerably since his mother thrust him into politics. He

is becoming used to being the centre of attraction and even adulation and sometimes of exercising authority.

"Today's leader — tomorrow's hope. Welcome Rajiv Gandhi," proclaimed several thousand protesters in Calcutta when he arrived with his mother for a recent Congress I conference.

Rajiv and his wife live in New Delhi with Mrs Gandhi in one of the large rectangular white bungalows which line the wide avenues of the elegant city laid out by Sir Edwin Lutyens.

He is currently general

secretary of Congress I, with special responsibility for party organisation and youth affairs. He is trying to systematise and improve the organisation of the party which, he says, was in a fairly bad state.

His political future will soon face a key test. He is to stand for re-election as an MP in the Uttar Pradesh constituency of Amethi, where his late brother Sanjay was MP. But Maneka Gandhi, Sanjay's charismatic 27-year-old widow, says she will stand against him, having last year set up her own rival political party.

Pandora's box and tax law

From Mr M. Gamble

Sir,—I think that A. H. Hermann, your Legal Correspondent, is misinformed (February 16) regarding the recent decision in *Furniss v Dawson*. The Law Lords said that there must be a pre-ordained series of transactions and that some of the steps in the series must have tax avoidance as their only purpose. A solitary transaction is not affected as Mr Hermann asserts. Where there is such a pre-ordained series, the tax avoidance transactions are ignored and the end result is taxed in a way appropriate to the tax statute in question. The decision in *Dawson* is seriously impeded, even if it does not defeat altogether, the ability of companies to group their capital losses which was, I think, the fear expressed in your edition of February 10.

The Inland Revenue may assure us that in practice it will not apply the decision strictly in this area, but is that a proper way to run a tax system? The Law Lords in *Dawson* case did not deprive the Duke of Westminster's case of meaning but confirmed its true meaning, that you cannot group tax losses say that payments under a genuine deed of covenant be some other character (as, for example, payments of wages) merely because in substance they achieve the same financial result. Whether the *Dawson* did or did not borrow the money from their genuine investment company is irrelevant to the judgment and its application to other tax deferral schemes.

The trouble with taxing according to Parliamentary intent is that Parliament rarely expresses its intent in any in

Letters to the Editor

clear way in relation to complex tax legislation. Circumstances arise that were not even in Parliament's contemplation. Even when an intent is expressed that is no necessary guide to eventual interpretation by the Courts, as is illustrated by the decision in *Leedale v Lewis*, a House of Lords decision which has previously formed the subject of correspondence in these columns.

Few of the tax fraternity wept at the passing of artificial tax avoidance schemes such as that in *Ramsay*. By applying this approach to a simple and honest tax deferral scheme (Lord Brightman's words, not mine) the Law Lords have, however, opened a Pandora's box.

Malcolm Gamble,
Verum House,
70 Finsbury Pavement, EC2.

From Mr L. Kendall
Sir,—I am interested in the articles of Clive Wolman and Lex on February 10 in connection with the recent House of Lords decision in the *Dawson* case.

I have recently been closely involved with the Inland Revenue in seeking clearance under sections 460-468 of the ICA 1970 for a straightforward commercial transaction involving a capital gain which could not in any way be described as a "special scheme" and was a straightforward commercial transaction, the parties involved being completely unknown to each other.

I act for a limited company whose only asset is a valuable

investment property in the books at about one-third of its real value. Terms were agreed for a sale of this investment to a well known institutional pension fund and simultaneously we were selling the shares of the company to another quite unconnected company, which was intending to set off capital losses against the capital gain acquired.

The price my clients were receiving was well over the net asset value after CGT but, nevertheless, showed a substantial discount on the before tax figure. It was this sum which was the acquiring company's profit.

Inland Revenue clearance was sought and subsequently refused although it was willing to grant my clients and their advisers an interview which I attended. It was clear, at this meeting, that the Inland Revenue's real objection to this transaction was that my clients were benefiting by the purchasers tax situation and were, therefore, gaining a considerable figure in excess of the net asset value.

I argued that this transaction was no different, in principle, to, say, the sale of a short leasehold investment to a gross fund or the sale of an industrial investment with the benefit of a 10% tax credit. In both of these instances, the purchaser is prepared to pay a higher price because of the purchaser's special tax circumstances.

All of our arguments were, apparently, to no avail and my clients' accountant was later informed, on an informal basis,

that the Inland Revenue also objected to the purchasing company (and others like them) avoiding the payment of capital gains by offsetting capital losses.

This, of course, does not help my clients who thought they were entering into genuine commercial transactions but, understandably, were not prepared to proceed without clearance and with the possibility of litigation up to the House of Lords where, if unsuccessful, the capital gain would be treated as an extraordinary dividend at a tax rate of 75p in the £1.

Lord Scarman's comment in the *Dawson* case that "the law in this area is in an early stage of development" is obviously an understatement and I strongly feel that the Chancellor of the Exchequer should come out with clearly defined guidelines in the near future in order to save considerable future waste of time to say nothing of horrendous legal fees.

Leslie B. Kendall,
Cooper Kendall and Co,
92, Gloucester Place, W1

From Mr D. Lindsay,
Sir,—Are we to take it, as a result of the recent House of Lords ruling on tax avoidance, that people who take out or already have mortgages on their houses for the gratuitous tax benefits they afford will now find these mortgages disregarded for tax purposes or that couples who, for tax reasons, choose not to marry or, having married, to divorce, will now be treated as if married (and their incomes and capital gains aggregated) for tax purposes? And what of maintenance and affiliation orders, made in favour of the child for no reason other than tax avoidance?

D. G. Lindsay,
36 Orchard Coombe,
Whitchurch Hill,
Reading, Berks.

The relevance of the rates Bill to industry

From Mr J. Egerton

Sir,—The debate on the relevance of the rates Bill to industry being conducted in your columns (February 7 and 9) has focused on the advantages which selective rate-capping might bring to some non-domestic ratepayers. This oversimplifies the issue and places the rates Bill dangerously out of context.

Selective rate-capping will have implications both for the distribution of total rate support grant between authorities and (because it will reduce hold-back) for the level of the PSBR. As high spending councils spend less, paradoxically the PSBR will, ceteris paribus, increase.

The benefit of rate-capping to the non-domestic ratepayer depends on that ratepayer's fiscal circumstances. A non-profit organisation in a high spending

authority (eg the CBI) will benefit by £1 for every £1 by which its rates are reduced; a profitable company in the same authority will only benefit by 45p in each £1—the benefit net of corporation tax.

The assessment of what is a reasonable rate level is by no means simple and the views of industry and Mr Jenkin may well differ. The director of the London Chamber (letter Jan 9) took as a basis for his call for action the fact that in 12 London boroughs, rates had increased by more than 100 per cent in the past five years. Total local authority current spending in England increased by 102 per cent and a figure of 100 per cent is not so far removed from what one could achieve by adjusting the base figure for wage inflation and the substantial reduction in the proportion of local authority spending funded

by central government over that period. While some of the 12 boroughs are undoubtedly both incompetent and reckless, a large part of the trouble lies in financial and structural arrangements which the Government has no proposals to change.

Although no precise figures for the number of hereditaments which will benefit from rate-capping can be produced until Mr Jenkin announces which authorities are to be capped, some estimates of the range in terms of percentage of manufacturing establishments located in high spending areas can be made. My (admittedly very rough and ready) estimates are as follows: If Mr Jenkin caps West Midlands County Council, between 30 and 40 per cent of manufacturing establishments will be covered; if he excludes West Midlands County Council,

between 20 per cent and 35 per cent will probably be covered; and after abolition of the Greater London Council and Metropolitan Counties, between 5 and 15 per cent of establishments will probably be covered.

In all cases, the proportion of service establishments will be less and there must be a real possibility that even some firms in areas where a council is rate-capped may end up worse off because the other tier authority loses more in RSG than is gained by the cap. While I am sure that Sir Terence Beckett is well aware that only a limited number of firms will benefit, many of his members clearly have exaggerated expectations of what can be achieved.

J. R. S. Egerton,
Oxford Centre for Management Studies,
Kennington, Oxford.

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FINANCIAL TIMES

Friday February 17 1984

BELL'S
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Iran claims breakthrough in offensive

BY ROGER MATTHEWS, MIDDLE EAST EDITOR, IN LONDON

HEAVY fighting raged for much of yesterday in the Gulf war, with Iran claiming to have broken through Iraqi defences at the start of what Tehran radio described as a "massive offensive."

Such an offensive had been anticipated for several weeks and was preceded by five days of fierce cross-border exchanges, involving artillery, missile attacks and air raids.

Iran said it was attacking along a 100-mile front from Mehriz, east of Baghdad, to Delhoran further south. The main Iranian thrusts appear to be directed at the Iraqi town of Badra, about 80 miles from the capital, and to the south of Tih which could open up the road to the large Iraqi military and air force base at Amara.

Iran claimed to have killed or wounded 1,200 Iraqi soldiers during the first 11 hours of fighting, but a military spokesman in Baghdad said the advance had been contained and part of the Iranian force destroyed.

This is the first major Iranian attack since Iraqi troops were forced to pull back from around the town of Penjwin in the northern sector during more than two weeks of fierce fighting last October and November. Both sides suffered heavy casualties.

President Saddam Hussein of Iraq has repeatedly said he would use all the weapons at his disposal if Iran attacked again. Iraq claimed yesterday to have hit "enemy naval targets" approaching the port of Bandar Khomeini at the head of the

Gulf. Five of the vessels were said to have been destroyed.

The five French-built Super Etendard aircraft equipped with Exocet missiles, which were delivered to Iraq last autumn, are believed to be fully operational. There is no indication that they were used in yesterday's attack, though.

Iran has threatened to shut the Strait of Hormuz, through which nearly a fifth of the non-communist world's oil supply passes, if Iraq attempts to disrupt its oil exports. Such disruption could be achieved by attacking tankers approaching Kharg Island, the main export terminal, or the terminal itself.

Saudi Arabia, which has provided nearly \$20bn aid to Iraq during the 40-month war, has been pressing President Hussein not to attack

Iran's oil export facilities. The Saudis and other Gulf states fear that they could be targets if Iran's main source of revenue were attacked.

Western military experts doubted yesterday whether Iran could sustain a major offensive even if its troops made an initial breakthrough.

Iraq has constructed defences along much of the border and is superior in armour and artillery, but most important, it is almost unchallenged in the air.

In almost every large-scale Iranian ground attack since the first few months of the war, Iraq has been forced to concede territory. Yesterday Iran said it had "liberated" land on its side of the border, occupied by Iraq since the start of the Gulf war in September 1980, and had then advanced into Iraq itself.



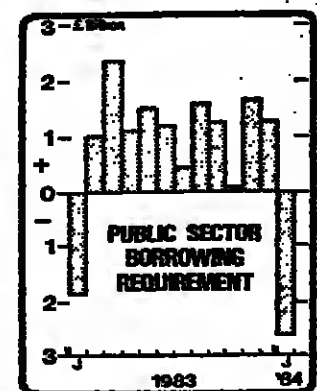
Iraqi officials have claimed that Iran has assembled 500,000 men for the offensive. Although that figure appears to be greatly exaggerated, there has been evidence from Tehran of a steady flow of soldiers, revolutionary guards and "volunteers," leaving for assembly points near the front.

Iranians step up war, Page 3

THE LEX COLUMN

Flags at hand for Budget Day

Government statisticians must easily be matching the overtime working now being recorded in the private sector. Yesterday the Treasury and the Bank of England deluged the City of London with numbers, perhaps in the hope that one or two of the more awkward items might float silently past. On balance, the historic data looked more encouraging - and needless to say more convincing - than the legislative paper on expenditure and the latest thoughts on the future of narrow money.



ling an established market when the pace of financial change means that new primary markets are opening up all the time. That same pace of change makes Datastream's prospects hard to assess. The market is an odd one - a restricted number of major clients (a mere 400, in Datastream's case), with an unquenchable appetite for new data. But it looks an awkward market for new entrants to crack.

Composite insurance

There are six green bottles left sitting on the composite insurance wall after Eagle Star's accidental fall and the approaching series of 1983 results for the sector will be viewed with a keen eye to any bad implications. This can reasonably be expected to ensure a generous round of dividend increases, perhaps in the 10-15 per cent range for all but Commercial Union. Yet neither the prospect of further takeovers nor the possibility of still higher pay-outs has been much apparent help to the majors' share prices over recent months.

Yesterday's market reaction to the careful statement from Allianz was quite consistent with the shares' drab performance. More attention seemed focused on the denial of any talks over Phoenix than on Allianz's diffident notice of further interest in the UK industry. Phoenix itself, meanwhile, is the only one of the six majors still enjoying a substantially higher share rating than it had four months ago when the first Eagle Star bid appeared. The other shares picked up a small bid premium initially, but it quickly faded and today the sector offers a yield 1½ times higher than the market average - close to a record high.

If this suggests a bad case of the jitters ahead of the 1983 results, the news from U.S. industry has certainly not been a calming influence. Last year's catastrophe losses in the U.S. have emerged at \$1.9bn, against \$1.5bn in 1982, and this alone has had City of London analysts paring away at their forecasts for Commercial Union in particular. Clouds of this kind blowing in from the U.S. carry little or no silver lining, predictable as they are. At least it seems possible that there, less expected developments - a nasty bout of reserve strengthening, say, or continuing deterioration in worldwide commercial lines - could offer some consolation by turning all that loose bid talk into some firm market action.

Datastream

The market for electronic financial news is obviously moving on apace. Even before the Big Bang, the shift to U.S.-style sophisticated financial instruments is pushing new products into the hands of the data-gatherers faster than they can handle them. The more odd, then, that yesterday's intimations from Datastream - pre-tax profits up 63 per cent to £1.7m - should have come as a surprise to that especially news-hungry community, the City of London.

Datastream may be small fry compared to the likes of Reuters or Telegraf, but it is securely lodged in its own market niche. The big players in the financial data business are primarily concerned with supplying real-time, first-hand information. Datastream's business is to present, in a sophisticated form, a second-hand data bank. It seems scarcely worth while for the major operators to spend money on tack-

UK plans tight rein on spending

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

THE BRITISH Government yesterday announced public spending plans showing that it is determined to allow almost no increase in real terms during the next three years.

Between the current financial year and 1986-87, the Government is planning a rise of only 13½ per cent in public spending to a total of £136.7bn. The rise will be only about 1 percentage point more than the increase in prices that the Treasury appears to be assuming during the period.

The two volumes of the Public Expenditure White Paper (policy document) were introduced yesterday by Mr Peter Rees, the Treasury Chief Secretary. He said the plans showed a sharp decline in the growth of public expenditure from year to year with cash increases of 5 per cent, 4½ per cent and 3½ per cent in each of the next three years starting in 1984-85.

The White Paper shows that the Conservative Government is planning:

- A fierce squeeze on local authority spending, whose total budgets are expected to fall by 2 per cent in cash terms and by 7 per cent in "real" terms in the next financial year - with a further decline of about 2 per cent in real terms during the next two years.
- Defence spending is to be squeezed sharply in 1986-87, when

the present commitment to Nato expires. That pledged a 3 per cent a year increase in real terms. The rise in total defence spending is planned to be only 3.3 per cent in cash terms for that year, compared with a 6 per cent rise in 1985-86. The figures include spending on the defence of the Falkland Islands.

A further £450m has been allocated for the defence of the Falklands in 1986-87. The White Paper shows the total extra costs of lost equipment, building a new airport and garrisoning the islands are expected to be £1.69bn in the three years from 1984-85 to 1986-87. The sums, added to those already incurred, bring the total projected cost of the Falklands war to £3bn.

● Sales of assets including British Telecom are planned to bring in £2bn a year throughout the period.

● Nationalised industries are expected to be returning substantial profits in two years' time. That suggests that gas and electricity prices will be encouraged to rise to "economic levels" to help the public spending totals. The White Paper assumes no substantial sale of those industries during the period.

● Public spending in the current year is now expected to be £120.3bn, £770m more than predicted in the White Paper a year ago. The overshoot is, however, less than was expected towards the end of last year.

It would have been greater if Mr Nigel Lawson, the Chancellor of the Exchequer, had not announced about £1bn of speeding cuts and additional asset sales in July.

● Inflation for the whole economy (as measured by the GDP deflator) is assumed to be 5 per cent in the next financial year, the same as in the current year. The White Paper implies a deflator of 4 per cent for 1985-86, with a deflator of 3-3½ per cent the next year. However, inflation figures are not given explicitly for the last two years of the survey.

● Total capital spending by the public sector is expected to fall by 3½ per cent in constant prices in the next financial year compared with the level in the current year. Capital spending in 1984-85 is projected to be no higher than it was six years earlier at constant prices.

The White Paper shows that the Government is still far from its objective of reducing public spending as a proportion of total national income. Next year it is estimated that planned spending and debt interest will amount to 42 per cent of national income in money terms. That compares with 44 per cent in 1981-82, but is still higher than it was in 1978-79, under Labour, when the figure was 40½ per cent.

If the Government succeeds in holding departments close to the

tight cash totals in this White Paper, spending should fall significantly as a proportion of national income as recovery proceeds.

The Government's chance of success, however, will depend on the rate of inflation continuing to fall. Next year's plans are based on the assumption that the public sector wage bill will rise by no more than 3 per cent. The assumptions for the next two years are not stated, but they must be close to this figure.

Peter Riddell, Political Editor, writes: The White Paper was strongly attacked last night by the economics spokesmen of all the opposition parties.

Mr Roy Hattersley, the Shadow Chancellor, argued for Labour that the Government had "undermined the housing, health, education and social security programmes and still not kept their promise on public expenditure."

In detail, Mr Hattersley argued that the Government was planning a further assault on services provided by local councils and was selling the nation's seedcorn (and selling it cheap) to create the appearance of prosperity at the expense of genuine long-term recovery.

Holding back on UK spending; Editorial comment, Page 18; See Lex this page

Japanese welcome EEC trade proposals

By Jurek Martin in Tokyo

THE JAPANESE Foreign Ministry has suggested that relations with the European Community have been given a new dimension this week by radical EEC proposals for tackling Japan's swelling balance of payments surplus.

A senior ministry official who took part in the negotiations said Japan did not accept either the numbers underlying the EEC proposal or the policy prescription, describing them as "too dramatic."

He broadly welcomed the Community's "maturity" in trying to shift its relations with Japan away from perpetual demands that Japan remove tariff and non-tariff barriers to European products.

In a nutshell, the EEC told Japan that in order to avoid an uncontrollable escalation of the yen's value it should consider raising domestic in-

JAPAN bowed yesterday to strong pressure from the U.S. and Europe and relaxed rules on the testing of some foreign products before they can be sold in Japan, Reuters reports from Tokyo.

Industry Ministry officials said Japan would accept tests by overseas laboratories on electrical goods, chemicals and some other products, instead of asking foreign companies to pay for Japanese officials to go overseas to do the checks.

The new rules will not cover cars, drugs and food products, which have caused the loudest Western complaints.

Interest rates, even at a cost to economic recovery, and thus "manage" a gradual appreciation of its currency.

The idea appears to be the personal conclusion of Herr Heinrich Matthies, who joined the Commission three weeks ago as deputy director-general for economic and financial affairs from the West German Bundesbank.

The Matthies hypothesis, admitted the Foreign Ministry official, came as "something of a surprise" when submitted this week, probably because of its author's recent arrival on the Commission staff.

It is, however, believed to overestimate - by about \$10bn - the likely size of the Japanese current account surplus in the next fiscal year, as well as suggesting that Japan espouse politically unsaleable monetary policies.

The Japanese Foreign Ministry is at present engaged in a bureaucratic struggle with the powerful Finance Ministry over the extent to which Japan should liberalise its capital markets.

The Foreign Ministry has traditionally been at odds with the even more conservative Finance Ministry, which, next week, is meeting with U.S. Government officials to discuss a broader range of financial and monetary issues.

European complaints about Japanese practices were matched by Japanese criticism of European trade restrictions, both Community-wide - in the shape of export restraints undertaken by Japan - and by individual nations, most obviously France, whom Japan openly suspects of purposely withholding import licences.

In general, Japan feels that the EEC is becoming obsessed by its bilateral trade deficit with Japan (\$10.4bn last year, according to Japanese statistics and more than \$12bn according to the EEC) and is ignoring the fact that, as a whole, the Community is running a trade surplus with all its trade partners.

Perhaps the most popular single trade-related document in Tokyo today is this year's report by the U.S. President's Council of Economic Advisors; in particular that part which concludes there is only so much that can be done about merchandise trade imbalance with Japan and that the U.S. (and, in Japanese eyes, by implication the EEC) ought to be taking a much broader view.

Computer trade 'stifled'

Continued from Page 1

to by Mr Tehbit in his discussions with senior members of the U.S. Administration.

It is known, however, that Mr Tehbit expressed concern over the control of "intangible" technology, and the authorities' increasing readiness to bar non-U.S. nationals from scientific conferences both in the U.S. and Europe.

Many of the questions raised by the ICL report are the subject of secret negotiation in the Paris-based Co-ordinating Committee for Multilateral Export Controls. While agreeing on the need to prevent militarily useful technology leaking to the Soviet Union, the allies have been unable so far to decide where to draw the embargo line on computers and software.

The British have rejected outline proposals by the U.S. and others for general controls on knowledge carried in technicians or scientists' heads. Their objections are that such controls are both unenforceable and contrary to Britain's unwritten constitution.

Commenting on the ICL claims yesterday, a U.S. Embassy official in London denied that U.S. export controls were arbitrary, although licensing procedures might be lengthy.

As for the allegation that the U.S. market was virtually closed, he cited Marconi's sale of display units for the F-16 fighter. There were some Congressional and security restrictions but they were not imposed across the board.

The official confirmed that the U.S. authorities were tightening up on international seminars

Insurance men 'had secret payments'

Continued from Page 1

Dixon and other former executives of Minet, including the former group chairman, Mr John Wallrock. The Department of Trade and Industry, the City of London Police fraud squad, investigators in the Lloyd's insurance market, and the present management of Minet Holdings have been attempting to trace where at least \$37m disappeared. So far, \$40m has been located in Gibraltar, but other cash has found its way to Liechtenstein trusts.

Mr Adams and Mr Naude received \$62,500 as beneficiaries of Calfix sub-account No 7387. Sedgwick Group said in a surprise statement yesterday, without specifying the amount of money the two had received, that the two had received payments "at a time when they were employees of the Sedgwick Group from Mr Peter Cameron-Wehr or a company controlled by him. Neither of the individuals concerned is still employed by the Sedgwick Group."

Sedgwick added that "payments were made to the individuals con-

cerned in their personal capacity without the knowledge, or any impropriety on the part of Sedgwick Group."

In its latest accounts, published in March last year, Sedgwick said that it had sought assurances from all directors of Sedgwick Group and all executive directors of all subsidiaries worldwide "that they were not party to any such improper arrangements" involving reinsurance schemes. "These assurances have been received," said Mr Neil Mills, the group chairman.

Sedgwick, and its Island Payco companies, acted as broker to the Minet syndicates arranging reinsurance for the Lloyd's underwriting members with a wide range of offshore interests.

Until October 1981 Mr Mills was the director of the Minet underwriting agency WMD, which was managed by Mr Peter Dixon. Sedgwick said yesterday: "So far as we know, the payments to Mr Naude and Mr Adams were the only payments made to employees of the group."

Renault 'to cut jobs'

Continued from Page 1

Government, which is wrestling with a series of restructuring problems in declining industrial sectors such as coal, shipbuilding and steel. They also coincide with the announcement at the beginning of this week that Citroën, the large subsidiary of the Peugeot group, was seeking to reduce its workforce by 3,500 through early retirements. The general unemployment pic-

ture in France remains gloomy. The French Labour Ministry yesterday reported that the number of people unemployed had increased on a seasonally adjusted basis by 0.8 per cent last month compared with December 1983.

The latest figures show 2,135,800 people out of work last month compared with 2,118,600 in December.

U.S. offer on Namibia ceasefire

By J.D.F. Jones in Johannesburg

THE U.S. will participate, if it is asked, in a South African-Angolan Joint Commission which has been set up to monitor the ceasefire in the Namibian border war.

This was announced yesterday in a statement at the end of tripartite ministerial talks in the Zambian capital Lusaka between South Africa, Angola and the U.S.

It was confirmed last night by a visibly jubilant Mr P.W. Botha, South Africa's Foreign Minister, who told a press conference that in his opinion a ceasefire was now in effect in the border war.

Mr Botha said the Joint Commission might at first be composed of a couple of hundred military personnel to be provided equally by South Africa and Angola. According to the Lusaka statement it had been agreed that "a small number of American representatives could participate if both parties asked."

Mr Botha said that, while the joint commission had held its first meeting yesterday in Lusaka, no such request had yet been made. He added that no other country would be involved in the monitoring.

Mr Botha, who was accompanied by General Magnus Malan, the Defence Minister, and Dr Willie van Niekerk, the Administrator-General for South-West Africa (Namibia) and senior officials, explained that South Africa had agreed to withdraw from Southern Angola in terms of a certain timetable. A date had been set in Lusaka for the withdrawal of the last South African soldier from Angola, but he declined to disclose the date.

World Weather

Area	Temp	Wind	Cloud	Vis	Area	Temp	Wind	Cloud	Vis
Algeria	18	11	10	10	London	12	10	10	10
Amman	18	11	10	10	Madrid	12	10	10	10
Baghdad	18	11	10	10	Moscow	12	10	10	10
Bahia	18	11	10	10	Nairobi	12	10	10	10
Bombay	18	11	10	10	Paris	12	10	10	10
Buenos Aires	18	11	10	10	Rangoon	12	10	10	10
Calcutta	18	11	10	10	San Francisco	12	10	10	10
Cairo	18	11	10	10	Singapore	12	10	10	10
Cardiff	18	11	10	10	Tokyo	12	10	10	10
Chennai	18	11	10	10	Washington	12	10	10	10
Dhaka	18	11	10	10	Zurich	12	10	10	10
Dublin	18	11	10	10					

Snow Report

Area	Snow Depth	Area	Snow Depth
Algeria	18-20 cm	London	12-14 cm
Amman	18-20 cm	Madrid	12-14 cm
Baghdad	18-20 cm	Moscow	12-14 cm
Bahia	18-20 cm	Nairobi	12-14 cm
Bombay	18-20 cm	Paris	12-14 cm
Buenos Aires	18-20 cm	Rangoon	12-14 cm
Calcutta	18-20 cm	San Francisco	12-14 cm
Cairo	18-20 cm	Singapore	12-14 cm
Cardiff	18-20 cm	Tokyo	12-14 cm
Chennai	18-20 cm	Washington	12-14 cm
Dhaka	18-20 cm	Zurich	12-14 cm
Dublin	18-20 cm		

Rental trends in 50 major towns

—updated every six months—

This new guide to the levels of rents across England and Wales will assist those interested in relocation or property investment.

Copies are freely available from: J.L.W. Research Library, Mount Street.

J.L.W. are indebted to the many firms who contributed to the 50 CENTRES data, and whose names are published therein.

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SECTION II - INTERNATIONAL COMPANIES FINANCIAL TIMES

Friday February 17 1984



U.S. JUSTICE DEPARTMENT LEAVES MERGER PARTICIPANTS DAZED

A spanner in the steelworks

BY TERRY DODSWORTH IN NEW YORK

SINCE LTV and Republic Steel announced their plans to merge last September, it has been difficult to find anyone close to the industry who thought it would run into an anti-trust blockade. The Justice Department, however, has not listened to the collective wisdom of the industry and Wall Street. Instead, it has lobbed the steel industry rationalisation ball back over the net, arguing that there are other ways of streamlining besides massive amalgamations.

Dazed by what they clearly consider to be virtually cut and dried proposals, LTV and Republic have so far said very little about how they will react. U.S. Steel, characteristically, has said even less about its proposal, now clearly endangered, to acquire National Inter-group's steel activities.

None of the companies involved, however, is likely to sit back quietly and do nothing. The stakes in an industry suffering from a mass of outdated equipment are too high, and there are several options available.

The first option would be to fight the Justice Department through the courts. It is possible to appeal against its decisions, although it could be an expensive and long drawn out process, and would be a difficult case to win on the specific issues identified by the department.

The Justice Department found that in two key areas of steel production the merged companies would be above the guidelines it uses to determine acceptable concentration.

Second, the two companies could look at ways in which they could restructure the deal. This is a possibility they are believed to be considering, though here again it would be difficult to meet the Justice Department's objections on specific areas of market concentration in carbon and alloy steel and stainless steel sheet. These include some of the better facilities which the companies would not, presumably, want to divest.

Third, they could abandon the merger idea and go for some kind

of asset swapping arrangement - an approach which the Justice Department has said it would support with advice to the two companies.

This could lead to some streamlining and strengthening of production capabilities in certain products. But it is unlikely that either company would be allowed to pick up the assets that would give it the market dominance the department complained about, and which was one of the main reasons for the merger.

They would also be unable to achieve the overall cuts that were to have been one of the cost reduction factors behind the amalgamation.

All these strategies clearly have their disadvantages, and it may be that both companies will exercise their final option and simply walk away from the deal. This possibility was clearly reflected in the share price movements on Wednesday, as investors dumped Republic shares, knocking them back by \$9 to \$21½.

By general consensus, the Justice Department's decision puts Republic more at risk than LTV. The

group has a severely weakened balance sheet, and it is already more dependent on its bankers than it would probably like to be, having negotiated a revolving credit agreement for \$357m last year.

At the end of 1982, its shareholders' funds had fallen to \$1.4bn from a high point of \$1.7bn, while total debt stood at \$883m. Since then it has lost a further \$326m net in the 1983 financial year.

Many analysts argue that it will not be able to earn enough during the present recovery period to be able to face the next downturn with equanimity.

It is also widely held that the company needs to shut down outdated facilities. But it is moving into the classic position of a weak company that can scarcely afford the write-offs involved in a big plant closure, even though the trading performance may demand closure. In addition, selling off profitable bits of the enterprise might not be a particularly realistic option.

Harvester achieves sharp cut in losses

By William Hall in New York

INTERNATIONAL Harvester, the debt-laden U.S. farm equipment and machinery group, has reported a sharp drop in its operating losses in the first quarter ending January 31. The operating deficit fell to \$55m, down from \$111m a year earlier, when the figures were cushioned by a \$34m extraordinary credit. Sales rose 26 per cent to \$883m.

Mr Donald Lennox, IH's chairman and chief executive, and Mr Jack Rutherford, president and chief operating officer, said that the company's improved performance came from increased sales and the benefits of the past 18 months' restructuring, which has reduced the break-even level by about half in volume terms compared with 1981.

The market for medium and heavy trucks continues to show an upward trend, according to the company, and production has been stepped up by 15 per cent in January, with another 18 per cent increase scheduled for March.

IH's engine business is also on an upward trend as a result of strong truck and school bus market acceptance of a new 6.9 litre engine.

In the group's depressed agricultural machinery markets, demand remained weak but steps have been taken to reduce inventories so that combine and large tractor production schedules can be increased by around two thirds in the current year.

French building slump takes heavy toll on industry leader

BY DAVID MARSH IN PARIS

SOCIÉTÉ Générale d'Entreprises, the major French construction company in which the nationalised Saint-Gobain group took a major stake last year, has announced a net loss of FF480m (\$88.3m) last year after a profit of FF60m in 1982.

The loss, one of the worst ever by a French building group, underlines the parlous state of the domestic construction sector and also difficulties in some key foreign markets. Although part of last year's loss was ascribed to accounting changes, the size of the deficit places a question mark over the entry of Saint-Gobain into the group last summer, before the full extent of the deficit was apparent.

SGE's leading shareholder is the state-owned Compagnie Générale d'Electricité which still has a share of about 28 per cent in the company. Saint-Gobain bought a stake of about 26 per cent last year for a

price of about FF156m as part of diversification of activities outside its traditional glass and pipe-making business.

CGE, which used the proceeds from the share sale to help buttress its mainstay activities in electronics and the energy business, is discreetly pleased that it succeeded in off loading a major stake at a relatively high price. CGE remains as a "sleeping partner" in SGE, but Saint-Gobain has taken over management responsibility.

Around FF160m of last year's SGE loss resulted from restructuring costs associated with large scale lay-offs caused by declining French construction business. Additionally, between FF150 and FF200m was added to losses by a new accounting system which results in the company including in its profit and loss calculations maximum provisions for risk-laden foreign contracts.

Following the group's restructuring measures - under which it announced lay-offs of about 3,500 workers in France over the last 14 months - SGE hopes for a steadier performance this year.

At the end of 1983 it had about 17,000 employees abroad and 18,500 in France. Turnover last year was FF14.5bn compared with FF12.8bn in 1982, although the figures are not comparable because of acquisitions during 1983.

As a sign of the French construction malaise - which particularly hit its Cochery road building and Thines construction subsidiaries - domestic turnover last year fell 4.4 per cent while sales abroad rose 27 per cent.

Among its foreign contracts, SGE has encountered some difficulties in projects to build a medical college and natural gas plant in Bahia and an airport in Jakarta where it is associated with other French groups.

SEC to tighten rules

BY OUR NEW YORK STAFF

U.S. publicly traded companies may in future have to disclose the financial performance of different business segments in their quarterly reports instead of only in annual 10Q filings with the Securities and Exchange Commission (SEC).

The rule change is part of a package of SEC proposals which is designed to ensure more timely reporting and give investors a better idea of how the separate divisions of a highly diversified company are performing or how individual product lines are selling.

The SEC has also voted to ask

Congress for authority to take administrative action against companies caught misleading the public in proxy statements and tender offers.

Mr John Fedders, director of the SEC's enforcement division, said the move was aimed at closing loopholes in the Securities and Exchange Act of 1934.

He said under the act the Commission was empowered to take corporations to court for misformation in proxy statements or tender offers, but for the sake of flexibility the Commission now wanted the option of taking action itself.

Upturn for Campbell

By Our Financial Staff

CAMPBELL SOUP, the largest U.S. producer of canned soups and a leading company in other convenience foods, has staged a strong recovery after a disappointing first quarter.

Second-quarter earnings have increased by 17 per cent, from \$47.9m to \$56.02m, lifting net profits for the half-year to end-January from a corresponding \$98.87m to \$102.88m. Earnings per share were \$3.19 against \$2.79 for the six months and \$1.74 against \$1.46 for the second quarter.

Olivetti to strengthen AT&T ties

By Alan Friedman in Milan

OLIVETTI, Europe's leading data processing equipment company, which recently forged new links with American Telephone and Telegraph (AT&T), is to supply the U.S. group with products worth about \$700m for the U.S. market until 1986.

Olivetti's U.S. distribution company, Docutel, meanwhile has plunged nearly \$21m into loss and is to be reorganised with a completely new product line.

Docutel's poor performance is related to Olivetti's recent agreement to create an international alliance with AT&T. Under the agreement, announced just before Christmas, AT&T is paying \$260m to buy 25 per cent of Olivetti.

The accord also calls for AT&T to purchase \$250m of Olivetti products in 1984. However, the total value of Olivetti products to be sold to AT&T between this spring and early 1986 is likely to come to around \$700m.

One of the reasons behind the Olivetti-AT&T link was Olivetti's need to salvage its foundering American business. Docutel, the Dallas-based distributor, lost \$14m in 1983 against a \$6.7m profit in 1982.

Olivetti waited until yesterday to disclose the extent of its poor 1983 U.S. performance, saying that in the fourth quarter of last year Docutel lost \$13m of the 1983 \$14m deficit. The U.S. company wrote off \$10m in the fourth quarter because of its change in product lines. The \$10m inventory write-down was composed mainly of typewriters and spare parts.

Docutel's turnover in the last quarter dropped to \$52m from \$64m during the same period in 1982.

New chief for Efim named

By Alan Friedman in Milan

THE Italian Government has named a new president for Efim, the asset of Italy's three major state holding companies.

Sig Stefano Sandri, president of the Cassa del Mezzogiorno (the development agency for southern Italy), has been named to succeed Sig Corrado Fiaccento, who last week resigned amid allegations of mismanagement of the group.

Sig Fiaccento's resignation came a year before his term was set to expire and as Efim revealed a 1983 loss of 1,440bn (\$266m) against a 1982 deficit of 1,380.5bn.

Allianz not ready to decide on U.S. insurance acquisition

BY JONATHAN CARR IN MUNICH

ALLIANZ Versicherung, West Germany's biggest insurance company, is likely to pay an unchanged 20 per cent dividend for 1983 on capital increased at the start of last year to DM 600.4m (\$183m) from DM 417m.

Allianz said its profits from insurance business were higher last year than in 1982, and that its investment earnings also rose, but gave no details. 1982 the company made an overall net profit of DM 204.8m.

Allianz's worldwide premium income last year rose by more than 10 per cent to DM 15.3bn. Non-life, domestic premium income was up by 5.9 per cent to DM 8.4bn.

The group says it is a long way from a final decision on whether to buy the insurance business of Armo, the diversified U.S. steel and energy group. Allianz officials put the odds that a deal with Armo will emerge at all at "about 50-50."

Armo said last month that it had

approved a letter of intent with Allianz to sell its insurance interests to the West German group for "between 1.5 and two times book value."

At a press conference in Munich yesterday, Dr Wolfgang Schieren, chief executive, confirmed that Allianz was interested in complementing its existing U.S. business by buying into an American insurer. Armo, especially its NN Insurance Corporation, could well provide the chance.

But he said Allianz would be examining Armo's balance sheets over the next couple of months, to decide whether this really was the opportunity in the U.S. which Allianz sought.

Dr Schieren underlined that Allianz, for all its desire for U.S. expansion, was not interested in taking over poorly performing insurance operations simply to gain access to

one profitable part. Nor did it plan to become involved in non-insurance financial activities.

Allianz revealed yesterday that its U.S. group operations grew very strongly last year. Premium income increased in D-Mark terms by 37 per cent to DM 1.3bn and rose by 19 per cent in terms of the stronger U.S. dollar.

Armo, the diversified U.S. steel and energy group, said yesterday that it had signed letters of intent to sell two of its U.S. life insurance units for about \$33m.

Under the preliminary agreement American Plan Corp of Dallas would acquire Armo's Columbia National Life Insurance Co of Columbus, Ohio for "in excess of \$20m" and Cologne Life Reinsurance Co of Stamford, Connecticut would acquire Armo's 30 per cent interest in American Life Insurance Co of New York.

Warner expects final quarter recovery

BY PAUL TAYLOR IN NEW YORK

WARNER Communications, one of U.S. entertainment group, expects to have returned to profitability in the fourth quarter following a disastrous string of three quarterly losses, caused mainly by its Atari home computer and video games subsidiary.

The company said it expected to post a moderate \$5m profit in the final 1983 quarter because of improved results from Atari. In the 1982 fourth quarter Warner earned \$33m.

Despite the recent improvement at Atari, which lost \$536.4m in the first three quarters last year, Warner said it still expects to post a loss

of about \$420m for the full year compared to a \$257.8m profit in 1982.

Warner expects to report small losses at both Atari and the parent company in the first half of this year because of seasonal factors but believes the worst may be over for both.

The company, which is in the middle of a fierce battle with Mr Rupert Murdoch, the Australian publisher, who has built up a stake of about 7 per cent in the group and has said he may seek control, also reported that it expects revenues to decline in the fourth quarter.

Hewlett lifts earnings in first quarter

By Louise Kehoe in San Francisco

HEWLETT-PACKARD has reported earnings of \$95m for the first quarter ending January 31, up from \$65m for the same period last year. Sales were \$988m against \$544m in 1983.

"Order levels continue to be encouraging and we are pleased to see economic improvement outside the U.S., with orders from Germany, France and Canada particularly strong," said Mr John Young, president and chief executive officer.

Hewlett-Packard said its domestic orders were up 31 per cent to \$818m in the first quarter, while international sales gained 32 per cent to \$599m.

Mr Young noted that Hewlett-Packard increased its equity position in Yokogawa Hewlett-Packard to 75 per cent from 49 per cent in November. As a result of the ownership change, Hewlett-Packard's international orders gain is exaggerated by about 5 per cent, he said.

A marked increase in expenses for the first quarter was attributed largely to expensive television advertising of HP's new touch-screen personal computer. "Acceptance of the product among dealers and large customers is very favourable," said Mr Young. The company plans to accelerate its TV advertising programme, he said.

Sharp rise at Hoover

BY OUR NEW YORK STAFF

HOOVER recovered strongly last year. Earnings rose from \$3.95m or 32 cents a share, to \$26m or \$2.27 a share, on sales up 1% from \$683m to \$687m.

In the final quarter, the U.S. group's net profits rose from \$3m or 24 cents a share, to \$7m or 58 cents a share. The company said sales rose in the quarter from \$160m to \$161m, but it pointed out that the sales increase would have been higher for the quarter and the year

if foreign exchange rates had remained stable.

Mr Merle Rawson, chairman, said sales and profits "increased significantly" in the U.S. because of the economic improvement and the new vacuum cleaner models introduced during the year. In local currency terms, sales showed good gains in the UK, Australia, and France.

Profits in those countries also grew much faster than sales

Over \$17m missing in Minet scandal

BY JOHN MOORE IN LONDON

MORE THAN \$17m belonging to over 1,000 Lloyd's insurance members who form insurance syndicates under the management of Minet Holdings, one of Britain's largest insurance brokers, is still missing.

In the scandal which erupted at the end of 1982 it was feared \$40m had been misappropriated. It later appeared in court proceedings designed to recover the money that \$53m was missing. But the final amount which has been diverted out of the Minet insurance syndicates is feared to exceed \$57m. So far Minet has tracked down \$40m of assets in Gibraltar and has yet to recover the rest of the money for the insurance syndicates.

Attempts to account for the full amount have so far failed although investigations are being carried out worldwide by the company to trace the money, which it is alleged has

been misappropriated by former Minet executives.

The City of London Police fraud squad, which started an investigation in November 1982, is still investigating the matter with the Department of Trade and Industry, which has an official investigation in progress.

Lloyd's which has carried out an investigation, is studying a confidential report into the matter prepared by Mr Simon Tuckey QC and Mr Nigel Holland, an accountant with Ernst and Whinney. The report is being studied by the Lloyd's regulatory committees and bodies.

The report details how money was channelled out of the syndicates under the guise of reinsurance to tax havens. The money was channelled to the Isle of Man, Guernsey, Bermuda, Gibraltar, Liechtenstein, Panama and Switzerland.

The investigators have been told by at least \$57m was paid out of money belonging to the syndicates for so-called reinsurance. But the amount of money received in Gibraltar totals only \$40m under the reinsurance contracts. Minet and J.A. Hassan, the law firm of Sir Joshua Hassan, Chief Minister in Gibraltar, which acted as trustees for the companies set up by Minet's former executives gained a ruling last month that \$40m worth of assets could be recovered in the English courts.

Lloyd's investigators have detailed in their report how the money was fed from the syndicates to a number of Anstalts (financial trusts) in Liechtenstein which were formed with code names.

The code names mentioned are Peria, Optix, Manix, and Papix. The Papix Anstalt was created for the benefit of Mr John Wallrock, the

former chairman of Minet Holdings, who resigned in November 1982 after admitting that he had secretly received benefit from reinsurance arranged for the group's Lloyd's insurance syndicates.

Mr Peter Cameron-Webb, who ran the Minet underwriting agency, PCW, which looks after the affairs of the syndicate and who is seeking to start insurance work on the Insurance Exchange of the Americas in Florida, also received benefits through a settlement with the code name Alix, which was later known as Maderna. Mr Peter Dixon, who ran the underwriting agency when Mr Cameron-Webb resigned at the end of 1981, received benefits through a settlement called Caffix.

At present Lloyd's has no plans to publish the report which is under study. The ruling authorities have yet to decide whether they will take disciplinary action.

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Consolidated Statement of Condition, December 31, 1983

ASSETS	
Cash and Due from Banks	\$ 4,288,508,000
Interest Bearing Deposits with Banks	2,132,901,000
Federal Funds Sold and Securities	
Purchased under Resale Agreements	540,743,000
Trading Account Assets	366,030,000
Investment Securities	2,912,974,000
Loans	44,957,257,000
Lease Financing Receivables	3,328,004,000
Total Loans (Net of Unearned Discount of \$1,167,187,000)	48,285,261,000
Reserve for Possible Loan Losses	(432,824,000)
Net Loans	47,852,437,000
Premises and Equipment	686,891,000
Customers' Liability on Acceptances	3,414,038,000
Accrued Interest Receivable	799,249,000
Other Assets	1,238,435,000
Total Assets	\$64,332,306,000
LIABILITIES	
Demand Deposits in Domestic Offices	\$ 9,232,196,000
Time Deposits in Domestic Offices	11,371,240,000
Deposits in Foreign Offices	21,680,679,000
Total Deposits	42,284,115,000
Federal Funds Purchased and Securities	
Sold under Repurchase Agreements	8,048,047,000
Short-Term Borrowings	5,289,251,000
Acceptances Outstanding	3,427,955,000
Accrued Taxes and Other Expenses	1,152,300,000
Other Liabilities	912,597,000
Long-Term Debt	2,446,978,000
NOTES WITH MANDATORY STOCK PURCHASE CONTRACTS	100,000,000
SHAREHOLDERS' EQUITY	
Nonredeemable Preferred Stock (Stated Value \$50)	
Outstanding 8,000,000 Shares	400,000,000
Common Stock (Par Value \$7.50)	
Outstanding 35,333,733,000 Shares	265,003,000
Surplus	487,319,000
Undivided Profits	1,518,743,000
Total Shareholders' Equity	2,671,065,000
Total Liabilities and Shareholders' Equity	\$64,332,306,000

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Manufacturers Hanover Trade Services, A.B., Stockholm, Sweden
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Manufacturers Hanover Commercial Corporation, New York, New York
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Modern Portfolio Theory Associates, Inc., New York, New York

INTERNATIONAL COMPANIES and FINANCE

Dow to sell 50% stake in oilfield services

By Paul Taylor in New York

DOW CHEMICAL, the second largest U.S. chemicals group, said yesterday that it plans to sell a 50 per cent stake in its Dowell oilfield services group to Schlumberger, the major U.S. oilfield services and electronics group, for \$440m.

The move will combine the operations of Dowell/Schlumberger, Dow's longstanding joint venture with Schlumberger, and those of Dowell to expand the joint venture operations worldwide.

The joint venture has operated only outside the U.S., while Dowell subsidiary has operated only within the U.S. and Canada.

Dowell and Dowell/Schlumberger provide similar services to the oil industry.

Schlumberger will continue to be responsible for the management of the expanded Dowell/Schlumberger joint venture which will have annual sales of about \$1.5bn.

Mr Jean Riboud, chief executive of Schlumberger, said yesterday: "The Dow-Schlumberger relationship has been a good one. We are convinced that expanding it will strengthen our position in the oil field service business."

Dowell subsidiary, which had revenues of \$662m last year compared with \$664m in 1982, has been hit by the recession and the downturn in the U.S. energy sector and made a loss last year of about \$100m. The existing joint venture has been adversely affected by the recession, although it is still profitable.

Peripheral group in red

By Our New York Staff

STORAGE Technology, a major U.S. manufacturer of computer subsystems and peripheral equipment which are compatible with IBM products, suffered substantial losses for the fourth quarter and full year, largely reflecting its decision to abandon development work on a new mainframe computer, coupled with sharply lower revenues.

The Colorado-based company reported a \$7.8m or 23 cents a share net loss from continuing operations in the latest quarter, compared with a net profit from continuing operations of \$3.68m or 27 cents a share in the 1982 quarter.

After a \$27.6m or 80 cents a share loss attributable to discontinued operations and the cancellation of the mainframe project, the company reported a net loss of \$35.4m.

Daimler result 'satisfactory'

By John Davies in Frankfurt

DAIMLER-BENZ, the West German motor vehicle manufacturer, has confirmed that it will report "satisfactory" profits for last year as a result of increased car sales and in spite of problems in truck markets.

The group boosted worldwide sales revenue by 2.5 per cent to DM 39.9bn (\$14.9bn), while sales of the Stuttgart-based parent company went up by 3.4 per cent to DM 32.18bn.

Car production rose by 3.9 per cent to 476,000. Sales increased both in Germany and in export markets, notably in the U.K. France and the U.S.

However, domestic truck production fell 7.2 per cent to 173,530 and factories abroad produced 18.4 per cent fewer trucks at 47,200, with a particularly sharp fall in Brazil.

The world workforce edged down to 184,600.

British Telecom keeps Paris pair hanging on

By David Marsh and Paul Betts in Paris

THE NEW combined telecommunications business of France's state-controlled Cit Alcatel and Thomson Group may receive a preliminary indication next month whether it stands to receive orders for digital telephone exchanges from Britain.

This follows a series of bilateral meetings between British Telecom and the French Post and Telecommunications authorities over the past few months on the question of opening up the two countries' markets for public sector telecommunications equipment.

Fresh sessions between the two sides are planned for the next week or so at which British Telecom will be assessing whether Cit Alcatel's E-10 exchange would be technically and commercially viable for

inclusion in the UK network. Key French executives say British Telecom has appeared "reticent" so far about the idea of buying the Cit Alcatel system. British officials, however, say the UK simply wants to take all factors into account before making up its mind.

Possible contracts from British Telecom form a key part of the combined telecommunications groups' foreign sales strategies. They aim to secure overall orders of between 13-14m telephone lines between 1984 and 1985.

This total does not include the market which the combined companies are now devising a strategy to penetrate. Of the 13-14m lines, about two-thirds will be accounted for by the domestic French market.

Export sales should thus total 5m lines during the five-year period. Since the landmark agreement last September to merge the telecommunications activities of the two French companies under one group, Thomson and Cit Alcatel have been working to rationalise their products and commercial organisations. While the two companies will retain their respective large public telephone switching systems involving the E-10 and NT-20/NT-25 for Cit Alcatel and Thomson respectively, they have decided to rationalise their lower capacity public switch systems.

The merger of the telecommunications activities of the two large French companies will inevitably lead to a reduction in their total workforce.

Comdial prepares for European growth with French purchase

By Elaine Williams in London

COMDIAL, the UK subsidiary of the U.S. Comdial Corporation, has taken a major step in the French telecommunications market. The acquisition of family-run company, which makes more than 1m telephone handsets a year for the French domestic market, will make Comdial the second largest handset maker in France. HFF had a turnover in 1983 of \$24m, and employs 575 people in factories in Bonneville near Grenoble.

It is the first time since the nationalisation of most of France's telecommunications industry that a UK company has been allowed to take shares in a French company in this sector, although HFF has always been privately owned.

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Belgian holding group shows progress

By Paul Cheeswright in Brussels

THE BELGIAN state holding company, Societe Nationale d'Investissement (SNI), which is used as a vehicle for public investment in the private sector, ended the year to last September with a net profit of BFR 293.4m (\$3.4m) against BFR 200.2m the previous year.

During the year, SNI on its own account invested BFR 3.25bn in 38 different companies. Acting for the Government it invested a further BFR 95.2m in five companies. SNI said yesterday.

This brings the total amount

SNI has invested to BFR 17.56bn in 583 companies on its own account and BFR 8.32bn invested for the Government in 88 companies.

Activities are likely to be extended as authority has been given to SNI to increase its capital from BFR 10bn to BFR 12bn. It can call on the state to guarantee investments. But at the end of last year guarantees had been sought only for 10.5 per cent of investments.

SNI is used to promote in-

dustrial development and renovation and to support companies with technological and exporting possibilities. More than half the companies where it has a financial stake have an annual turnover of less than BFR 200m.

SNI's involvement is usually through an equity stake or a convertible loan and, by last September, 71 per cent of the companies where it had an interest were making a profit.

Total revenue last year was BFR 92.9bn, compared with BFR 1bn in 1981-82.

Carroll seeks 10% cut in workforce as demand falls

By Brendan Keenan in Dublin

CARROLL, the Irish tobacco company, is seeking 10 per cent redundancy among its 980 workers because of falling home demand and fierce competition in export markets.

The company, which reported pre-tax profits last year of £8.6m (\$9.8m), predicts "disappointing" results but expects to maintain dividends.

It blames high tax on tobacco products for most of its problems.

Cigarette sales have fallen by 13 per cent over the past four years in the same period, the duty on cigarettes has more than doubled. Carroll's, which is the Irish market leader with brands such as Sweet Afton and No. 1, increased market share

from 47 per cent to 56 per cent within a falling sales total.

Carroll's difficulties have been compounded by the drying-up of export markets, particularly in the Middle East, which at one time accounted for 25 per cent of total sales.

The company is anxious not to exaggerate the importance of exports to its results. In many ways, its export experiences have been typical of that of many Irish companies. Carroll does not have the resources to build up brand loyalty or develop products specifically for overseas markets.

Carroll plans to concentrate on holding and increasing its dominant position in Ireland, and hopes for an improvement in market conditions.

NEI Africa well ahead

By Our Johannesburg Correspondent

NEI AFRICA, the South African subsidiary of Northern Engineering Industries, increased pre-tax operating profits by 47.2 per cent in 1983 largely as a result of profits realised in long-term contracts.

Operating profits were R25.55m (\$21m) against R17.56m in 1982, on turnover up by 9.7 per cent to R210m.

Mr "Blitz" Bieber, the managing director, attributes the improvement to a combination of tighter controls, stock reduction, and the receipt of significant advance payments by the company's contracting offshoots.

The dividend total has been increased to 115 cents a share from 78 cents on earnings of 310.6 cents a share against 207 cents.

Danish bank rights to raise DKr 248m

By Hilary Barnes in Copenhagen

DANSKE BANK, Denmark's largest commercial bank, increased net profits from DKr 317m (\$54m) to DKr 1.67bn last year, and reports a balance sheet total higher by 33 per cent at DKr 77bn.

The bank plans a one-for-four rights share issue which will raise DKr 248m. An unchanged 15 per cent dividend will be paid for 1983.

Operating profit declined from DKr 242m to DKr 203m, but the adjustment for bond and share portfolio values added DKr 2.49m to earnings.

The bank allocated DKr 1.5bn to the reserves, which increased net worth by 47 per cent to DKr 4.7bn.

ENI expects to move out of red in 1986

By Our Financial Staff

ITALY'S state energy conglomerate, ENI, expects to swing to an operating profit of L619bn in 1986, after operating losses of L960bn last year. The conglomerate expects to invest some L19,600bn (\$374m) over three years, mostly in energy.

Despite group losses of L1,600bn last year, half of which were due to the more than 20 per cent rise of the dollar against the lira, ENI's cash flow improved "considerably". The group expects cashflow to improve further this year.

ENI does not plan to increase its net debt beyond the current L21,400bn. The company said it was currently involved in restructuring its outstanding debt.

ENI's request this year for a capital injection from the government for 1984, a period would be limited to L4,700bn.

Profits and turnover improve at Canon

By Yoko Shibata in Tokyo

CANON, the Japanese camera maker which is diversifying into business machines, lifted unconsolidated pre-tax profits by 11 per cent to ¥31.17bn (\$153.6m) last year.

Net profits were ¥17.57bn, up 5.1 per cent, on sales ahead 22 per cent at ¥374.12bn. Net profit per share were ¥37.25, compared with ¥30.09 in 1982.

Camera sales rose by 9 per cent to account for 39 per cent of the total, helped by strong sales of medium-grade cameras (up 24 per cent), which offset a sales setback in high-grade cameras (down 7 per cent), hit by a worldwide sluggish camera market.

Sales of business machines, accounting for 55 per cent of total turnover, advanced by 35 per cent with plain paper copier sales rising by 53 per cent and electronic office equipment up 40 per cent.

Optical instrument sales rose by 12 per cent to account for

6 per cent of the total, with a marked showing by mask aligners for the production of semiconductors.

Exports rose by 22 per cent to account for as much as 74 per cent of turnover.

Canon's net financial balance (net dividend and interest received) improved by ¥3.3bn during the year. The company lifted the dividend by ¥0.5 a share to pay ¥12.5 for the year.

In the current year, Canon expects sales in new areas such as electronics office equipment to rise by 68 per cent, with particularly strong sales of laser beam printers and word processors. A 40 per cent sales rise is seen for optical instruments, but sales of cameras and plain paper copiers—although the mainstay of profits—are expected to fall by about 6 per cent.

Full-year sales are projected at ¥450bn, up by 20 per cent, with recurring profits rising by 10 per cent to ¥35bn.

Electronic fuel unit sales help boost Nippondenso

By Our Tokyo Staff

NIPPONDENSO, Japan's largest producer of electronic car components, increased unconsolidated pre-tax profits by 19.4 per cent to ¥66.4bn (\$324.6m) last year, thanks to higher sales of car air-conditioners and electronic fuel injection systems.

Unconsolidated net profits were 18.1 per cent higher at ¥31.06bn on sales of ¥588.53bn, up 13.3 per cent compared with 1982. Per share net profits were ¥51.38, against ¥52.66.

During the year, sales of electrical car parts rose by 9 per cent to account for 27 per cent of total sales. Sales of car heaters and air-conditioners rose by 11.4 per cent to account for 38.5 per cent of turnover and those of electronic fuel injection systems jumped by 36.4 per cent to account for 10 per cent.

Exports surged by 16.7 per

cent to reach ¥71.7bn, helped by the business recovery of U.S. car makers.

Higher depreciation, and research and development expenditure, as well as high labour costs, were offset by favourable effects from volume production and cost reduction efforts.

The company's net financial balance improved by ¥4.7bn as a result of efforts to repay all of its borrowings. The dividend was raised by ¥0.5 to pay ¥12 for the year.

In the current year, Nippondenso expects continued buoyant sales of electronic fuel injection systems, a 5 per cent rise in air-conditioner sales.

Full year total sales are projected at ¥730bn, up 6 per cent. Pre-tax profits are expected to rise by 5.4 per cent to ¥70bn.

ZANUSSI PLANS TO ESTABLISH A WHITE GOODS FACTORY IN BRITAIN

Tenacious Italians ignore warning signs

By Carla Rapoport in London

"ITLL BE their last mistake," grumbled a competitor upon hearing that Zanussi would be establishing a manufacturing plant in Britain.

With overcapacity running at between 15 to 20 per cent in the European domestic appliance industry, demand flat and price wars still rampant, it is not hard to understand the competitor's irritation. In fact Zanussi's serious financial difficulties—the group lost L130bn (\$78.2m) in 1982—have prompted a number of competitors to hope that this year would mark Zanussi's collapse, not its expansion.

But those groups have slightly underestimated the tenacity of their Italian rival.

For despite Zanussi's financial troubles (largely the result of problems with its electronics subsidiaries) Zanussi has scored some stunning successes in the UK.

Last year, for example, Zanussi boosted unit sales of its branded appliances by 47 per cent to more than 700,000 units. This growth rate was four times the overall improvement in the sector, aided by Zanussi's expansion into new product lines.

Sales went up by 41 per cent to £96m, reflecting the company's aggressive stance on prices.

In dishwashers, for example, Zanussi products account for nearly 25 per cent of UK sales. In refrigerators, a new low-priced no-frills product helped to boost market share from 6 per cent to nearly 11 per cent last year.

Overall, the group has managed to take 13 per cent of the UK major domestic appliance market, ranking among the top five producers of washing machines, refrigerators and dishwashers.

Mr George Dorman, managing director of Zanussi's UK operations, body contests that Zanussi is giving away its machines at loss-making prices in order to reduce inventories or gain market share. If the division was losing money, he argues, Zanussi would not have been able to raise the finance for the new UK plant. "We are profitable," he said.

Zanussi's critics will admit that the company produces quality products. According to Mr Dorman, however, products and prices are not enough. He has concentrated

Zanussi's advertising expenditure, which was around £5m (\$6.7m) last year, to reach directly to the consumer, promoting the Zanussi brand name.

Traditionally, major domestic appliance makers spend most of their advertising budgets in co-operation with the large British retail chains. This has contributed to the decline of the British white goods industry, according to Mr Dorman, by concentrating the selling power into the hands of the retailers.

"We want to go around the retailers, directly to the consumers. Most of these products are commodities and retailers will sell the ones which give them the best margins. We can get around that by building up a consumer demand for our products, based on direct consumer advertising," Mr Dorman said.

The division's success with its "appliance of science" campaign naturally led to discussions on local manufacturing production in the UK. But "the last thing we wanted to do was to build more washing machines," said Mr Dorman. "We don't want to cause problems for

Hong Kong Telephone jumps by 39%

By Robert Cottrell in Hong Kong

HONG KONG Telephone Company, currently the subject of a takeover bid from British Cable and Wireless, has produced sharply higher profits for 1983. Net earnings were 39 per cent up at HK\$9403.3m (US\$51.8m), against HK\$200.6m.

Part of the growth is attributable to a first-time contribution from the new subsidiary CSL HK\$22.1m, which, in 1983, began marketing competitive telecommunications goods and services.

Sales were up 24 per cent at HK\$27.2bn. Last week, Cable and Wireless raised its stake in the group from 34.8 to 52.4 per cent, and is making an unconditional bid for the rest at HK\$ 46 per share.

Brokers say CSL may double profits in the current year, and that Hong Kong Telephone as a whole may earn around HK\$ 470m net for 1984.

Yesterday, the group announced a final dividend of HK\$ 1.15, compared with 96 cents, making HK\$ 1.65 for the year, an increase of 17 per cent. A three-for-20 scrip issue is proposed.

Alcan Australia doubles loss

By Our Sydney Correspondent

ALCAN AUSTRALIA continued to suffer from a depression in the world aluminium market last year, with a 1983 net loss of A\$21.2m (US\$19.7m), against a loss of A\$10.6m a year earlier. But the outlook for 1984 is "very encouraging", and the company plans to issue 75.6m ordinary A\$1 shares at par to help fund expansion of its Kurri-Kurri smelter, near Cessnock, New South Wales.

Turnover last year rose by 15.8 per cent to A\$258m. Work on the third pitline at Kurri-Kurri has restarted, with additional capacity of about 45,000 tonnes.

In the generally stagnant white goods market, only microwave ovens and built-in cooking appliances have been showing rapid growth recently. Zanussi and others estimate that nearly 500,000 microwave ovens were sold last year in Britain, a 50 to 60 per cent increase on 1982. With the exception of Thorn-EMI's microwaves, all of these are imported.

In the first nine months of 1983, built-in cookers surged by 45 per cent to an estimated value of £55m. Zanussi is believed to have studied the possibilities of both of these products and is understood to have chosen to produce microwave ovens.

Despite its financial difficulties, last year, Zanussi spent more than £26m in updating and streamlining its production facilities in Spain and Italy. "We have to have new products and be innovative or we just give up," says Mr Dorman. "And we have no intention of doing that."

Australian offshore banking plan backed

By Michael Thompson-Noel in Sydney

WITH the right incentives, Sydney could overtake Singapore and Hong Kong as the offshore banking centre of Asia, claimed Mr Neville Wran, Premier of New South Wales, in Sydney yesterday.

He was championing a report by a committee set up to investigate the steps necessary to establish offshore banking activity in Australia, with particular reference to Sydney.

The committee was chaired by Mr Nicholas Whitlam, managing director of the State Bank of New South Wales.

The report said that at present, offshore banking activity (defined as transactions denominated in foreign currencies, either between foreigners, or between foreigners and residents, or virtually non-existent in Australia).

Assuming that 80 to 100 offshore banking units (Obus) were established in Australia, said the report, the Federal Government would collect an extra A\$70m to A\$110m (U.S. \$64m to U.S. \$101m) in tax revenue, while an extra 1,800 to 3,500 jobs would be created (directly and indirectly).

"Sydney could eventually become the world's third largest financial centre after New York and London," claimed the report.

The committee said it had been mindful that the Federal Government in Canberra was considering the recommendations of the Martin Committee concerning possible further deregulation of the Australian financial system.

Specific issues being considered were the entry of foreign banks, and possible further development of the foreign exchange market, including the licensing of foreign exchange dealers.

JAPANESE RESULTS

AKAI ELECTRIC CONSUMER ELECTRONICS

Year to Nov 83 Nov 82
Revenue (bn) 98 108
Pre-tax profits (bn) 538 14,526
Net profits (bn) 3 3 5
Net per share 39.04 —

CONSOLIDATED

SIX MONTHS TO Dec 83 Dec 82

Revenue (bn) 135 128
Pre-tax profits (bn) 2.8 1.0
Net profits (bn) 1.1 0.8
Net per share 3.22 7.53
Dividend — 2.5
Parent company.

KAIJIMA CONSTRUCTION

Year to Nov 83 Nov 82
Revenue (bn) 1,039 994
Pre-tax profits (bn) 40.3 43.5
Net profits (bn) 17.50 19.4
Net per share 22.37 25.44

CONSOLIDATED

Year to Oct 83 Oct 82

Revenue (bn) 143 145
Pre-tax profits (bn) 1.1 1.2
Net profits (bn) 3.3 4.4
Net per share 20.18 28.25
Consolidated

OLYMPUS OPTICAL

CENTRAL ELECTRONICS, CAMERAS

Year to Oct 83 Oct 82
Revenue (bn) 143 145
Pre-tax profits (bn) 1.1 1.2
Net profits (bn) 3.3 4.4
Net per share 20.18 28.25
Consolidated

CONSOLIDATED

Year to Oct 83 Oct 82

Revenue (bn) 143 145
Pre-tax profits (bn) 1.1 1.2
Net profits (bn) 3.3 4.4
Net per share 20.18 28.25
Consolidated

ALCONA STEEL

Year 1983 1982
Revenue £80m £70m
Net profits £125m £100m
Net per share — —

ALLIEDHEAVY INT'L

Fourth quarter 1983 1982
Revenue \$ 631.8m \$ 633.1m
Net profits \$ 53.5m \$ 53.5m
Net per share — —

BALLY MANUFACTURING

Fourth quarter 1983 1982
Revenue 280.2m 244.2m
Net profits 112.1m 81.8m
Net per share 70.48 0.35

BRUNSWICK CORPORATION

Fourth quarter 1983 1982
Revenue 302.2m 288.2m
Net profits 18.5m 187.2m
Net per share 0.76 11.70

CANADIAN TIRE

Fourth quarter 1983 1982
Revenue 504.3m 465.5m
Net profits 11.4m 11.4m
Net per share 6.15 0.15

CHESTERBOROUGH FORD

Fourth quarter 1983 1982
Revenue 433.7m 388.5m
Net profits 25.8m 22.1m
Net per share 0.44 0.21

COMBINED INTERNATIONAL

Fourth quarter 1983 1982
Revenue \$ 91m \$ 72m
Net profits \$ 0.1m \$ 0.1m
Net per share 0.04 0.08

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Shopfloor trends

Supervisors come to the fore

BY BRIAN GROOM

WHOSE ROLE is most crucial to the changes taking place on Britain's recession-ravaged, more thinly populated shopfloors? Few have stronger claims than that of the supervisor, which continues to be subject to close scrutiny after four years of change.

Employers are making a determined effort to improve the quality of supervisors (or foremen), who play an important part in achieving and maintaining improvements in productivity. Their authority has been increased, and their role enlarged.

At the zenith of shop stewards' power, the authority of supervisors was at a low ebb. The foreman was often the last to know about developments in the company, learning of them from stewards returning from top-level meetings with management.

The restoration of authority has inevitably brought accusations of dictatorial conduct, at some locations, notably at BL's Cowley plant in Oxford. But, as a new study by the research group, Income Data Services, makes clear, the change in the supervisor's role is more complex than a simple shift in the balance of power.

More employers are communi-

cating directly with their workers rather than through union channels. Supervisors are briefing employees in their areas, and coming into closer contact with the workers.

IDS warns, however, that where companies are now trying to introduce a participative style of management — employee involvement — "perceptions of supervisors as dictatorial could prove a major stumbling block."

Judging by developments under consideration, mainly in engineering, responsibilities of supervisors are likely to be widened. The Engineering Employers' Federation has told unions it wants to see the elimination of "restrictive manning practices" between supervisor and supervised.

Individual employers are seeking the same "inter-trade flexibility" from foremen as they have been trying to achieve among the supervised. In the chemicals industry, discussions are under way at ICI Billingham on introducing multi-grade supervisors in maintenance areas.

Some employers would like to see more radical developments, such as foremen supervising a range of indirect workers from unskilled cleaners to skilled

maintenance craftsmen.

Some supervisors meanwhile are now covering larger numbers of employees, having been affected by rationalisation of management structures and devolution of responsibilities. British Airways' ground services, for example, used to have both office-based supervisors (who issued individual tasks, one at a time) and on-site supervisors (who were responsible for their implementation). Now those in the office issue tasks for a whole shift, and a new category of "team leaders" supervises the work itself, but as part of the working team.

Improving the quality of supervisors is a crucial part of companies' strategy. Their methods include managing job losses so that only the more able foremen are retained, and improving internal recruitment techniques.

Traditionally the choice of supervisors has rested on the candidates' experience in their existing jobs, their supervisors' assessments of them, and their performance at interview. These were often carried out by two people — one from line management, another from personnel.

Companies like BL Cars, British Airways and Ford, however, have adopted new methods de-

signed to assess more systematically candidates' potential for team-management and other skills, to reduce the reliance on one interview, and minimise subjectivity by involving more people in assessing the candidate.

Some larger companies are recruiting more supervisors from outside. This is worrying trade unions, who fear that the use of newly qualified graduates — being given a taste of the sharp end as the first step in a line management career — threatens the status of existing supervisors, and limits the career prospects of shopfloor workers looking for promotion.

Employers are putting more resources into training foremen. Some are also linking payment systems more closely to merit — BL cars has made progression between grades dependent on performance, while Scottish and Newcastle Breweries has moved towards individual salaries rather than ranges or scales.

Foremen's earnings vary widely. According to the Government's New Earnings Survey, the best paid last April were those in chemical processing with an average of £199.10 a week.

IDS Study 307: 140 Great Portland St, London W1.

HOW DO you inject new life into a company whose staple product is several thousand years old, consists only of flour and water, and already has a dominant position in its small home market?

Leslie Fox and his two co-directors of Rakusen, Britain's largest manufacturer of matzos, the unleavened cracker biscuit Jews eat during Passover, are about to test their belief that innovation is possible.

In December Fox, 45, his production director, Donald McFarlane, 39, and 32-year-old finance director Alan Pridmore, put up £70,000 of their own money to buy out their company from the frozen foods division of United Biscuits, the largest UK biscuit maker.

With 85 per cent of the UK matzos market already under their control — the rest is accounted for largely by Israeli imports — they are now launching an export drive in the U.S. Simultaneously, on the back of their guaranteed Jewish market, they are hoping to capitalise on the growing demand for pure foods by developing related additive-free products. A high-fibre matzo is to be launched on the UK health food market soon.

Diversifying into new products and the export drive offer the best prospects of broadening Rakusen's markets, says Fox. Half of this year's Passover's matzos will go abroad, to South Africa and a number of European countries, as well as the U.S., where food brokers in New York and Chicago have been signed up for the launch.

To break into the U.S. Fox decided on the well-tried and frequently successful marketing ploy of emphasising the Britishness of his product.

With a Jewish population of 5.5m the U.S. clearly has far greater potential than the 350,000-strong UK community. Rakusen commissioned an independent survey of the market and Fox reckons one or two of the U.S. competitors are getting "rather frayed at the edges" with ageing management and inadequate levels of investment.

National Westminster Bank and its merchant banking subsidiary, County Bank, provided financial backing for the buy-out while United Biscuits helped out by deferring a large part of the payment. The total cost was £800,000, including £350,000 for stocks.

Rakusen has had a chequered history since it was founded around the turn of the century by Lloyd Rakusen, a jeweller. From matzos — first baked by the Jews during their flight from Egypt — the company expanded into a wide range of foods of particular attraction to



(L to R) Leslie Fox, Alan Pridmore and Donald McFarlane: hoping to capitalise on the demand for pure foods

Rakusen nibbles at the U.S. market

Charles Batchelor reports on a recent buy-out

the Jewish community.

It went public in 1982 on the back of the wealth created by its early move into vegetable oils. In the 1970s, though, it ventured unsuccessfully into property development. A prolonged legal wrangle with Leeds Corporation, over compensation claimed when a new road plan reduced access to Rakusen's original factory was decided against the company. The company was forced to write off £1m on the value of the property. Its bank withdrew their support and in 1978 it went into receivership.

It was at this point that the paths of Fox, Rakusen and United Biscuits came together. Fox had taken over the running of his family's wholesale meat trading business in Manchester and obtained the UK franchise to sell the kosher poultry range supplied by Empire Products of Mifflintown, Pennsylvania.

"United Biscuits was just setting up in frozen food and

was interested in our products," says Fox. "When Rakusen went into receivership bells started to ring. It was a good kosher brand name which I thought we could link with Empire, so I put the idea to United Biscuits. UB Frozen Foods bought my business, bought Rakusen's assets from about £250,000 by stopping direct marketing to small retailers (they will be handled through wholesalers) and by making a small reduction in the company's 75-strong workforce, largely by natural wastage."

Fox and his team moved into Rakusen, restyled the packaging, relaunched its products and tightened up on quality. But the most important step was to bring the factory under the control of the Beth Din, the court of the Chief Rabbi.

Beth Din approval meant Rakusen's products would be acceptable to even the most orthodox of Jews. But Beth Din supervision is rigorous and costly. Rakusen's spent £100,000 on modifying its factory and equipment to meet the required standards. Just as the imported poultry

business was building up, the UK Government imposed a ban on all raw poultry imports, killing the market dead. The ban, which took effect in September 1981, was ostensibly aimed at keeping out disease but, many believe, was really intended to curb French imports.

The ban is still in force and is depriving Rakusen of £2m of "very profitable" turnover a year. More significantly it removed the logic of the United Biscuits purchase of the combined Fox-Rakusen business.

Alan Richardson, finance manager of United Biscuits Frozen Foods, comments: "The ban on the import of raw poultry meant Rakusen was only 20 per cent in frozen food. The small volume and specialised nature of their market meant that they did not fit into our biscuit business either."

He points out though that Rakusen is the only one of the 11 frozen food companies acquired by United Biscuits in 1977-79 which has been sold off. Matzos head of the Rakusen product line, though they accounted for only £1.1m of last year's turnover of £3.5m. Frozen foods, most of them imported from the U.S., accounted for £300,000.

"Our main objective over the next three to four years is to reduce our borrowings," says Pridmore. "The Passover peak means our cash flow fluctuates dramatically. For seven months of the year we are in credit then we dip into the red in the build-up of stocks ahead of the Passover."

Rakusen made a loss in 1983 as a result of the poultry ban, after four years in which pre-tax profits were in the £200,000-£100,000 range. However, it expects to achieve profits of around £200,000 this year, on turnover which is expected to rise only modestly to £4m.

Such a sharp improvement in fortunes should be helped by Rakusen not having to pay its share of United Biscuits' head office costs. The aim is also to achieve total annual savings of about £250,000 by stopping direct marketing to small retailers (they will be handled through wholesalers) and by making a small reduction in the company's 75-strong workforce, largely by natural wastage.

Fox is convinced his profits forecast for 1984 is on the conservative side though he warns against over-optimism at such an early stage in the new company's life. An order from Marks & Spencer — which has not been included in the 1984 projections — is a welcome addition. Though new products launched by M & S have a high casualty rate, the early signs are good.

AFTER a year stumping around Britain with the message "Design for Profit" improve the quality of your design, or pay the commercial penalty — Mrs Thatcher's Government this week turned its attentions to the financial institutions in the City of London.

It's not that the Prime Minister and her Trade and Industry Secretary, Norman Tebbit, particularly want the City to improve its own design — though this certainly wouldn't come amiss — but they like to enlist its help in putting pressure on industry. Or, as Tebbit put it with uncharacteristic tact: that the institutions and banks should "look at the design strengths of the companies in which they invest."

Speaking at a special seminar on investment in Design, which had Mrs Thatcher's strong personal backing and attracted an audience of nearly 120 bankers and financiers, Tebbit rammed home the Government's message

Tebbit's designs on the City

to industry, that "design is crucial to the success of a company." With British companies needing to be more competitive even to survive, let alone prosper, good design was vital. "The best of poor design can be launched by British designers — Japanese cameras — Butcher complained that there was a clear mismatch in the UK economy between demand and the indigenous supply of goods that people want to buy."

So what did the assembled City multitude do all this, and of the various offers of help with "design audits" on clients, the training of financial staff in design issues, and so on?

"Irrelevant," he said, "if we were to use a resource that's as valuable as our young design talent."

Pointing to countless cases of highly successful imports which had been designed by British designers from German cars to Japanese cameras — Butcher complained that there was a clear mismatch in the UK economy between demand and the indigenous supply of goods that people want to buy.

So what did the assembled City multitude do all this, and of the various offers of help with "design audits" on clients, the training of financial staff in design issues, and so on?

Shrugging off the old allegation that they starve industry of funds, they seemed confused by the proliferation of offers: design audits from the Design Council; technical appraisals from the Engineering Council which already provides guidance on these; and a call for "product planning audits" from the director-general of the Confederation of British Industry, Sir Terence Beckett.

There was certainly more than a hint of goodwill (or of being overkilled) in the formal and informal reaction of the City men. Publicly loath almost to a man to question the case being presented to them, they seemed privately ready to accept one half of it, but reluctant to hear much responsibility for the other. Yes, their industrial clients did need to make better use of design. But no, it was not necessarily their own charge to persuade (or force) industry to do so.

Christopher Lorenz

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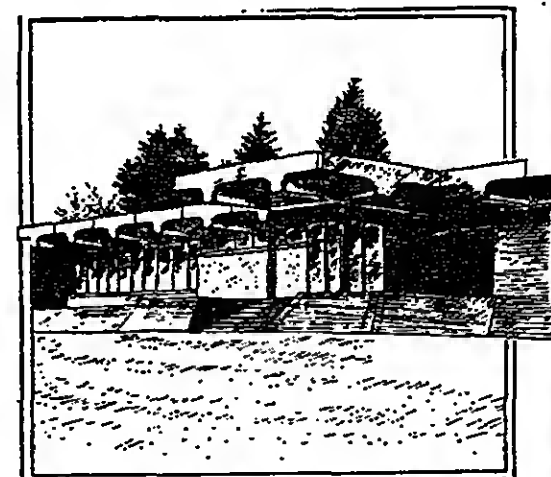
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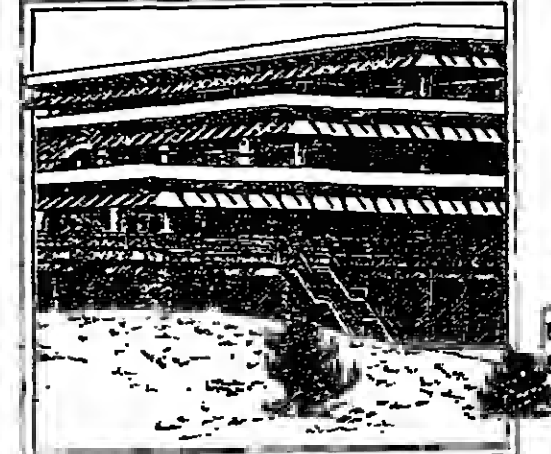
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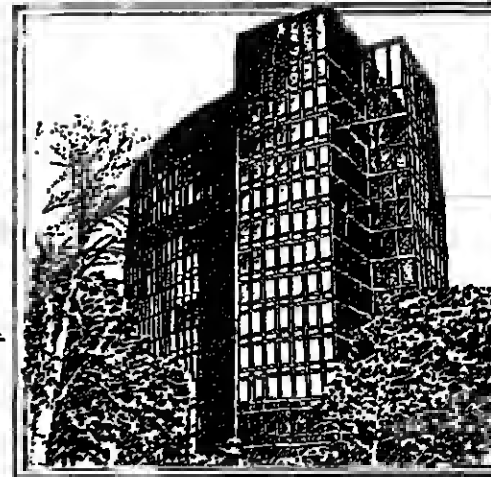
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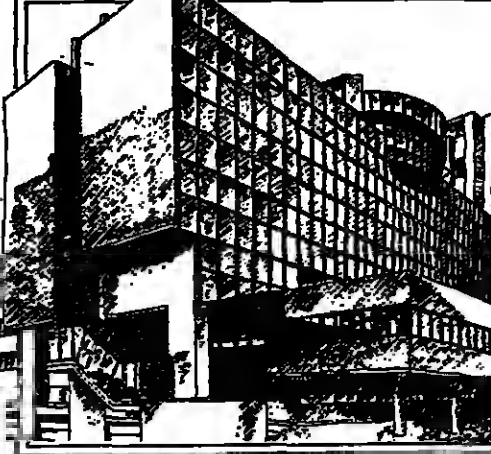
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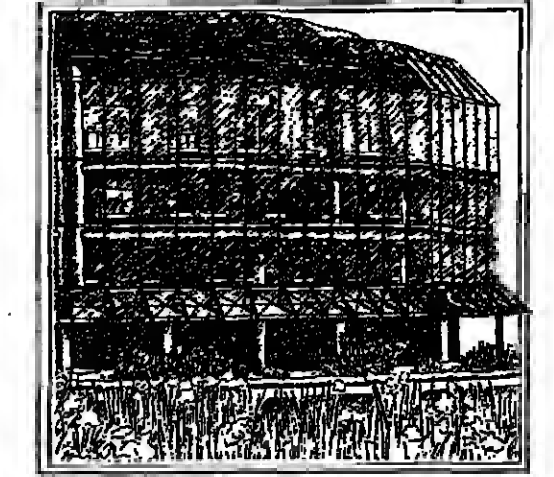
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THE PROPERTY MARKET BY MICHAEL CASSELL

Hammerson hits the streets of Mississauga

HAVING snapped up a shopping centre bigger than his own Brent Cross, together with a few thousand acres of development land and office space, Sydney Mason's appetite for acquisition remains unsatisfied.

As chairman and managing director of Hammerson, the international property investment and development group, Mason has just pulled the properties from the smouldering wreckage of Mascan, the Canadian real estate corporation.

Now he says he is looking for other, similar opportunities. Ideally in the United States and possibly in Australia; situations which many companies might consider too fraught to be worthy of consideration but which offer packages of real estate at bargain prices.

Mason's philosophy extends to individual development and investment opportunities in all Hammerson's markets: "If people want to know what I'm interested in, tell them I'm looking for crummy buildings on the verge of collapse, occupied by tenants about to go broke. But I insist on a first-class location. Then we can do something with them."

Hammerson's avuncular chairman says that when it comes to competition in the market for prime property with "triple A" tenants, then his own shareholders (the institutions hold 90 per cent of

Hammerson stock) will always beat him on price. He prefers to go where the funds fear to tread, at least when they are wearing their own shoes.

None of which should be taken as evidence that Hammerson likes big risks and puny property. Its opportunistic attitude to development and investment, combined with an aggressive approach to portfolio management, has made it one of the UK's largest and most respected property groups. Property assets are touching £1bn and pre-tax profits have risen by over 75 per cent in two years.

The Mascan deal is not typical of the group's past behaviour, though it provides a clear indication of what could lie ahead, providing the opportunities arise.

Debts

The Ontario-based company succumbed to the liquidator after building up its land bank and its debts at the same alarming pace. The group was controlled by Bruce McLaughlin, the suave property entrepreneur who put his daughters on the board and, in the words of one observer, "played real-life monopoly but forgot to pick up the money when he passed go."

Sydney Mason's sort into the streets of Mississauga, the Toronto suburb which was Mascan's stamping ground before it

got stamped on, raised a few eyebrows.

The sight of a blue-chip UK property group talking terms over the salvage of a company at the heart of a Securities Commission investigation and with a board of directors appointed by the courts, provoked more than a few questions back home.

Among Mascan's more colourful assets were a couple of ski sites, hotels, a golf course, a stud farm and assorted chunks of so-called development land. Certain investments had notched up heavy losses and others were entangled in ownership disputes. Somehow it all seemed a long way from Hammerson's elegant Park Lane offices.

From the outset, however, Mason had his eyes on just a handful of properties—and the chance of doing a deal at a price reflecting a substantial discount to asset values.

"We were introduced to a situation in which the proprietor of Mascan didn't want to part with anything but realised he could only survive by parting with something. He owed 57 per cent of the company and, with the agreement of the banks, we paid him for the hits which interested us, enabling him to buy out the assets we didn't want."

"Everybody ended up happy. Mr. McLaughlin survived to fight another day. Mascan shareholders got more than they could reasonably have expected

and we got what we were after." Last week, Hammerson said over 99 per cent of Mascan shareholders had accepted the offer.

Hammerson placed £47m worth of shares on the London market to finance the acquisition and also assumed £97m of mortgages and funded debt. "We paid off the preference and unsecured creditors but didn't take on any of the debt attributable to the assets we sold on. They went with Mr. McLaughlin."

Mason is left with a 1.1m sq ft shopping centre, over 650,000 sq ft of office floorspace in four buildings and a half-share in 2,000 acres of development land. All are located around the Mississauga area.

Potential

The proud new owner reckons that the properties have at least as much potential as Hammerson's existing Canadian assets. A priority will be to add another department store to a shopping centre which stands on 75 acres but which can be expanded on to another 100 acres standing alongside.

According to Mason: "We will promote the shopping centre to achieve much better percentage turnover rents and will claw back some of the space from tenants who have got too big. It's not up to Brent Cross standards but there is a lot we can do to improve its performance."

As for the 2,000 acres of development land elsewhere—owned with local investment house Traders Associates—the chances are that much of it will be parcelled up and sold off or leased to other developers.

The Mascan deal means that Hammerson now has around one-third of its property assets in Canada, pushing the country into portfolio distribution. Hammerson started its Canadian operations in Toronto in the late 1980s and has steadily built them up ever since.

Most attention centres on its impressive Bow Valley Square office scheme in Calgary, the largest single investment in the group portfolio. Plans to add to the 1.4m sq ft scheme have been frozen because of the weak lettings market but the existing complex is over 90 per cent let. Possession of the land required for the next phase is not due until the end of this year.

Hammerson is also finishing off a 235,000 sq ft office scheme in University Avenue, Toronto, which is 32 per cent let three months ahead of completion. Mason says the lettings market is tough, with institutional developers undercutting rents in order to fill space in schemes which have 1m sq ft or more available.

Hammerson already has a share quote in Toronto but Mason says the group will soon be obliged to broaden its

investor-profile. A wider shareholding could come via a quoted loan stock or the placing of shares on the Canadian market.

In Australia, which now accounts for around 25 per cent of assets, a Stock Exchange quotation now seems highly likely by the end of 1984, with a first formal move made before the half-year stage. The initiative might help Hammerson overcome some of the difficulties encountered by foreign developers in Australia, though partnership ventures still seem inevitable.

If there is any market in which Hammerson's approach to the future arguably remains ambivalent, it is the United States. Mason says the group, which has a smattering of fairly unexciting interests as far apart as Buffalo and Houston, has never gone in for the sort of figures demanded by U.S. real estate markets.

"To make it worthwhile, you are talking about millions of square feet and multi-millions of dollars. It would be easy to make the U.S. the most important market, financially. But I think it has to be all or nothing."

Foothold

Hammerson's presence so far has been much nearer the "nothing" end of the option range, though it clearly feels it needs to have a foothold in the highest free enterprise

market of them all. It has certainly not been frightened off other countries by the prospect of rows of noughts on the bottom of investment proposals.

Despite the contradictions, the group is currently deeply immersed in negotiations which could bring it investments in downtown Los Angeles.

As for the longer-term future, Mason says: "I would like to see if we can find another Mascan in the U.S. As developers, we have to be involved in such a vital market. There are so few physical restrictions."

But aren't such restrictions good for property values and property owners? "I'm very much in favour of them. But only after I've got my own consent," Mason grins.

Nothing could be more calculated to knock the smile off the chairman's face than a reference to UK planning restrictions.

"We are willing to take on new developments but not if it means long, tedious planning battles. We have had a stomach full of them. If someone else gets a consent, we will reflect their effort in any price we pay," he stresses.

Hammerson's current UK development programme is a modest one, largely confined to the London area and embracing schemes in some architecturally sensitive areas. There are also plans for an office and

shops scheme in Fleet Street, but only after a planning inquiry gave the go-ahead.

While the UK market as a whole remains a vital component in the Hammerson machine, its domestic property assets now account for barely 40 per cent of the global portfolio and the balance looks set to stay that way.

As for the group's recent rapid growth in profits—they have gone from £15m in 1981 to a forecast of at least £26.5m for 1983—Mason has been emphasising that the performance is unlikely to be sustained.

Market conditions, fewer new investments coming on stream and an end to the recent spate of minority interest acquisitions means the short-term profits outlook may be unexciting. The City, however, expects a sharp improvement beyond this and Mr Mason will no doubt do his best to please.

"In the UK, office development will provide the main thrust of future activities. We are automatically linked with shops because of Brent Cross, but the right opportunities on that scale no longer exist."

Opportunities apart, Brent Cross took 18 years of Mason's life and he does not feel inclined to start on another shopping centre. In any case, as the chairman points out, Hammerson has just been out and bought one.

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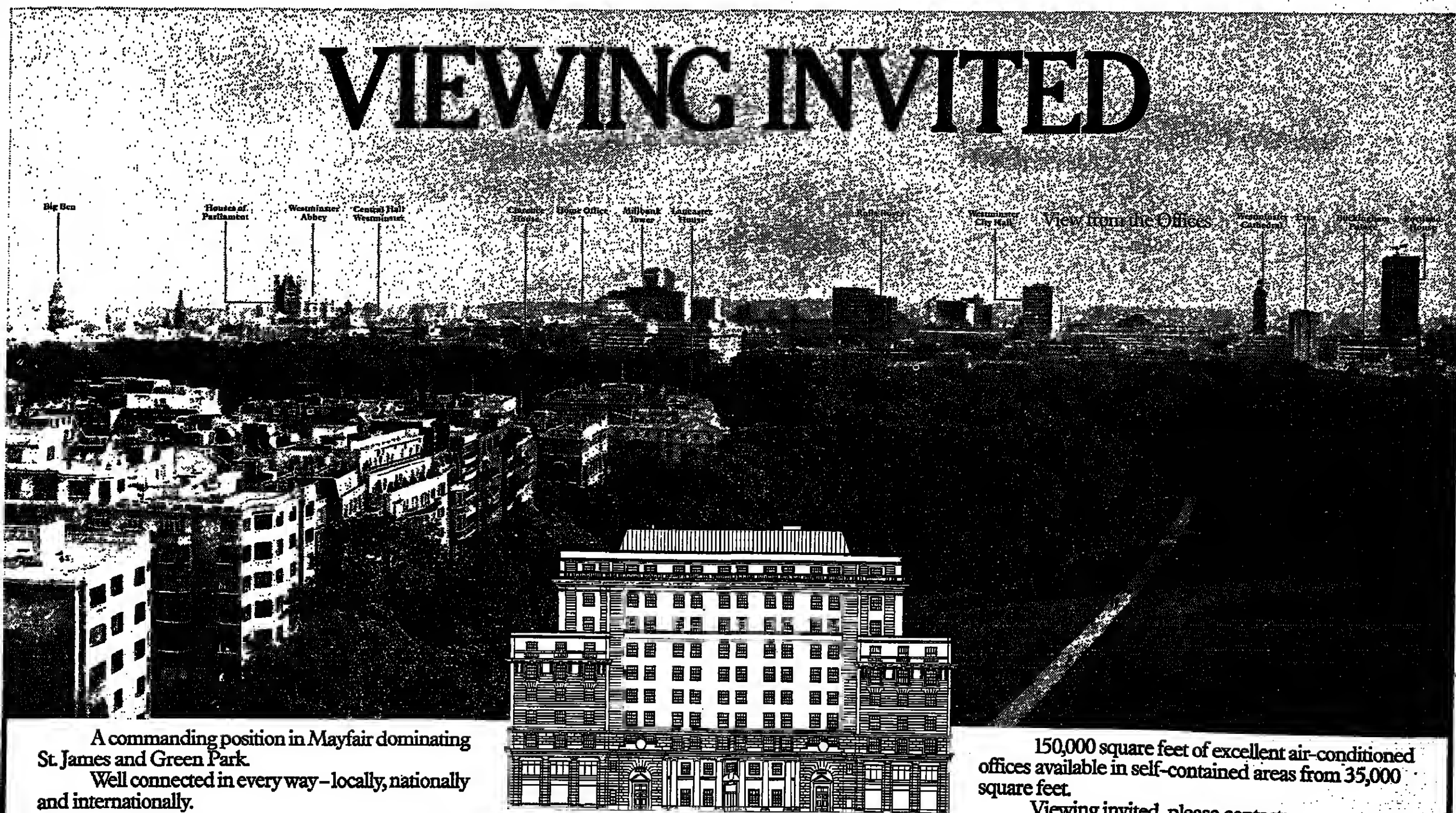
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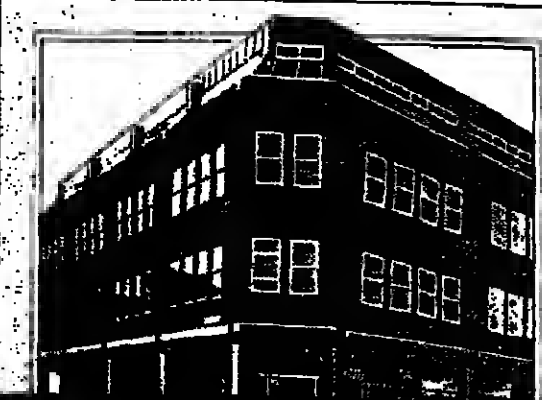
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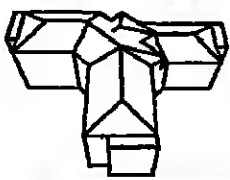
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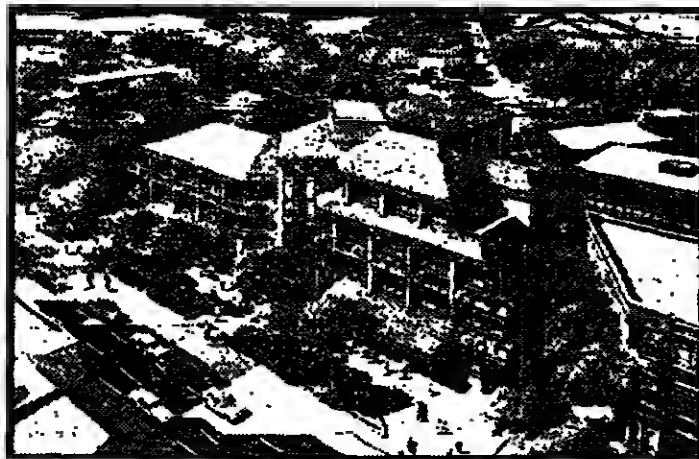
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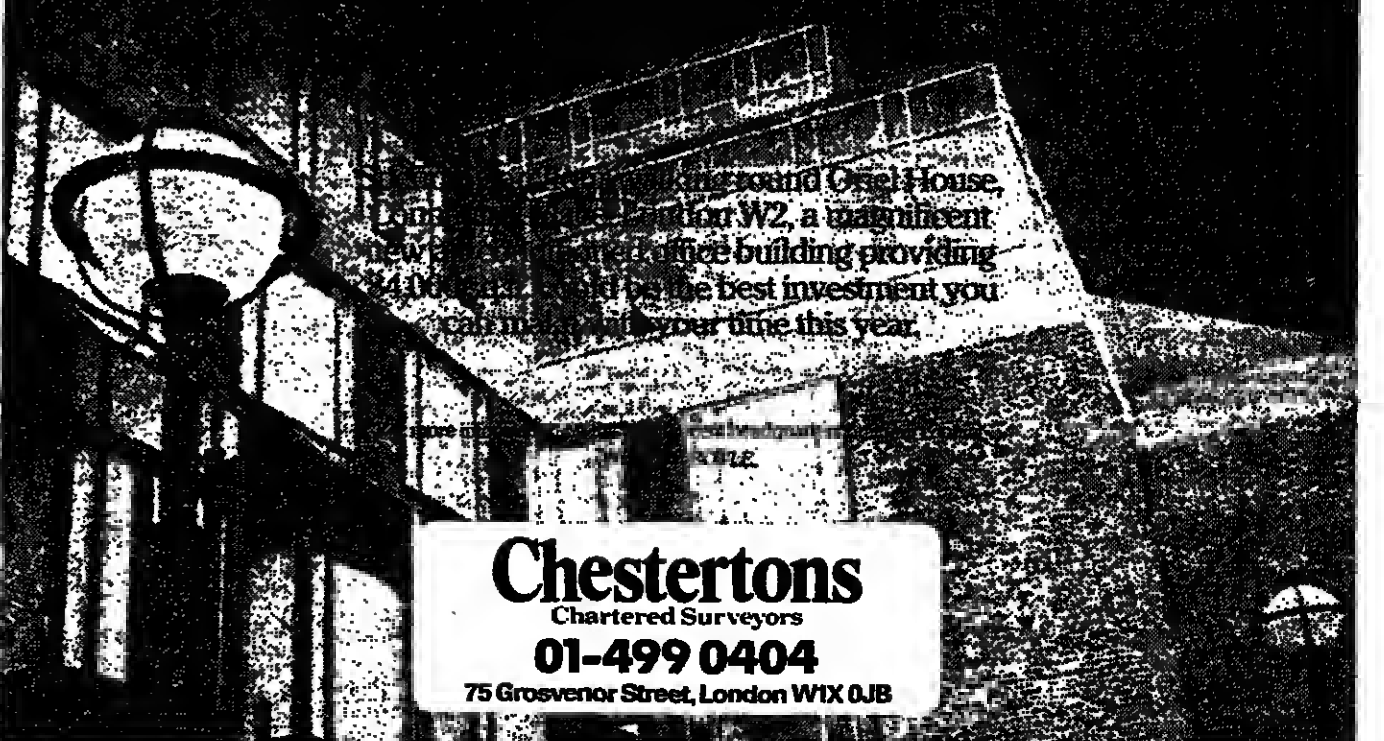
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UK COMPANY NEWS

63% midway surge for Datastream

GROWTH OF 63 per cent in profits is reported by Datastream, which provides computer-based information and services for the half year ended December 31 1983. At the pre-tax level the surplus has moved ahead from £1.06m to £1.73m, and the directors remain confident of a satisfactory outcome for the full year.

An interim dividend of 1.45p net is declared. In the April 1983 offer for sale prospectus the directors said that in a full year they would expect to pay one third of the dividend total as an interim. Since going public the company has paid a final dividend of 2.34p in respect of 1982-83.

Major factors which contributed to the growth in the half year included an increase in the number of new clients for all the on-line services, and the

HIGHLIGHTS

Lex looks at the wealth of Government statistics released yesterday—the money supply, Public Sector Borrowing, a White Paper on expenditure and a Treasury paper on M0—before turning his pen to corporate affairs. Datastream turned in interim profits showing profits 93 per cent higher at £1.73m which got the share price roaring up to close at a new high. The column then comments on prospects for the UK insurance sector in the light of Allianz's present stance towards the UK market and ahead of the 1983 preliminary results season which kicks off in a few weeks.

Launch by existing clients of a substantial number of new investment funds. There was further expansion in the investment accounting business and the Association on International Bond Dealers new weekly Euro-bond guide was a success. To provide capacity for continuing growth in services, a more powerful mainframe computer was installed last December at a net cost of £533,000.

There was an increase in profit margins stemming from cost savings which came from the changes in the communications

and printing technologies introduced at the end of the last financial year.

Turnover for the period rose from £4.83m to £5m. The operating profit expanded from £1m to £1.57m and investment income also showed an increase, from £59,000 to £163,000. Earnings were 7.9p (4.4p) per share.

The directors are confident that the company will continue its profitable growth. They say there will be contributions from the recent launch of enhanced facilities for investment research, graphics and financial future services, the signing of the first order for delivery of their services direct to clients and communications networks, and the introduction later this year of a commodities service and a portfolio performance service.

See Lex

Saga sees growth in American operations

PRE-TAX PROFITS OF £2.44m were achieved by Saga Holidays in the 16 months to October 31 1983 compared with a loss of £138,000 for the previous 12-month period.

While the results represent a recovery, Mr Sidney De Haan, chairman, says that profits continued to be affected by problems experienced in the Laker Holidays division which has now been closed.

Turnover for the extended accounting period was £90.44m compared with £39.23m for the year to December 31 1982.

Mr Haan points out that by moving the year-end to October there will be considerable disparity between first and second half profits.

A final dividend of 2.6p (2.53p) is being paid making a total of 5p (3.73p).

During the 19 months, UK tour operating achieved only modest growth, limited by the inevitable

division of managerial and administrative resources to the solution of problems arising subsequent to the Laker Air Travel acquisition.

North American operations offered an extensive range of European holidays to Americans for which there was strong demand.

The company also operated a range of North and South American, Caribbean and cruising holidays developed specifically for the American market.

Booking trends indicate that it may be difficult to achieve significant growth in the company's UK business during the current year, he says.

Gross profit for the 19 months was £10.6m (£9.7m). The taxable result was struck after administration and marketing expenses of £15.65m (£8.61m) and included net investment and other income of £1.85m (£1.81m).

There was tax this time of £1m giving a net surplus of £1.44m (deficit £136,000). Earnings per share were 7.9p (loss 0.79p). Dividends will absorb £900,000 (£453,000) leaving a retained profit of £535,000 (loss £806,000).

comment

For commercial reasons Saga declines to disclose the U.S. operation's trading results and the traditional UK business. Nor is it very specific about the relative performances of the two geographical areas, for that matter, the current trading position. So it is difficult to judge the extent of the recovery taking place. What is evident, however, is that by dropping the mass package Laker Holidays programme, which chalked up losses of around £1m during the 16-month period, the company is once again concentrating exclusively on the business it knows best—providing holidays for the over-60s during off-peak periods.

Unlike the disastrous Laker purchase, the decision to buy from the retailer having been taken virtually overnight, the U.S. venture seems to be better thought out, with the company proceeding with the understandable caution associated with a conventional manager's decision.

Mr Rod Tringham, chairman of Exent, said that £150,000 related to spending authorised by Helical's directors in January when, under a clause in Helical's statutes, they were not technically entitled to call themselves directors.

Highgate Optical calls in receivers

Highgate Optical, the optical and photographic equipment distributor, has asked its bankers to call in the receiver. The board said it considered Highgate to be insolvent due to inter-company indebtedness with the Exent group, its majority shareholder.

Highgate's shares were suspended at 50p on January 27 at the company's request. Exent has a 60 per cent holding in Highgate.

Highgate, Exent, and Helical—another company in which Exent has a majority holding—called in their respective auditors to review aspects of their financing last month.

Helical said it had discovered a "misappropriation" of £150,000 of company funds and the Exent directors resigned from the boards of both Helical and Highgate.

Mr Rod Tringham, chairman of Exent, said that £150,000 related to spending authorised by Helical's directors in January when, under a clause in Helical's statutes, they were not technically entitled to call themselves directors.

MS Intl. returns to profit with £0.82m in first half

CONTINUED improvement at Laurence Scott has enabled the MS International group, formerly Mining Supplies, to return to profits, and for the half year ended October 29 1983 there was a pre-tax surplus of £219,000, compared with a loss of £582,000 in the corresponding period.

The directors report that Laurence Scott, which makes electrical equipment within the capital goods and durable industries, contributed significantly to profits. And further benefits should accrue from the recent rationalisation of the control gear activities and the formation of two new subsidiaries.

Mining Supplies traded profitably, but continued to suffer from the reduced demand for coal mining equipment, particularly the NCB. However, there has been an upturn recently for work from that source. If this can be maintained throughout the second

half, and added to the work already in progress for the CEEB and overseas customers, this should help to offset the shortfall in activity experienced in the past six months.

Turnover in the first half showed a marginal improvement to £31.68m (£31.1m). The profit was struck after depreciation of £1.11m (£1.17m) and interest £380,000 (£1.02m). There is a tax charge this time of £150,000 leaving the net profit at £668,000.

comment

After two years of losses MS International's turnaround deserves full marks. The results are all the more impressive for being led by the Laurence Scott electricals business. The £5m acquisition to diversify the company in 1980 looked like a horrendous mistake. The impact on the electricals sector at the time was that LS was more dead duck than lame duck. That the new management at MS International has turned it round is a fair testament to their abilities. Of course, the traditional mining equipment side is facing a tough domestic market, though there are some tentative signs of an upturn in orders from the NCB. Overseas, however, the trend is better in both the US and South Africa. It now looks as if full year profits could reach £2m, suggesting a fully taxed p/e of 12.7 at 51p or 9.8 on a more realistic tax charge. The directors may be tempted to pay a more meaningful dividend—say 1½p—giving a 4.5 per cent yield. A further major re-rating of the shares seems unlikely until that payout becomes a reality and the gearing looks a little healthier. Debt is still close to 100 per cent of shareholders' funds.

HunterPrint improves to £1.7m

AN ADVANCE OF 27 per cent to pre-tax profits of £1.7m has been shown by HunterPrint for the year to October 2 1983. Sales of this quality colour printer increased from £19.66m to £20.79m.

In the previous year profits came to £1.12m.

Mr Michael Hunter, chairman, says that the current financial year has got off to a good start with turnover and profits showing an improvement over the corresponding period of last year. He is optimistic that the group will make further progress in 1984.

The net final dividend of this company, which trades its shares on the Unlisted Securities Market, has been recommended

at 2.3p which gives a total of 3.5p.

Earnings per 25p share rose from 12.53p to 19.12p. Pre-tax profits were struck after lower exceptional debits of £34,000 (£250,000). Tax came to £124,000 (£77,000). Last time, minorities came to £13,000 and extraordinary debits to £93,000.

comment

HunterPrint's shares have been at a premium ever since it came to the USM in 1982—and yesterday's preliminary announcement explains why. In a print market which is still very tight, the pre-tax profits, up 27 per cent, reflecting further gains in market share and a continuing improvement in margins. These have come through new invest-

ment in a 32-page Press in 1982 and, more recently, the 45-page, which has given the group the extra muscle to pitch for very long runs of high-quality work—a la the one-off Radio Times book. Now the group is looking for further expansion through the acquisition of two colour-printing companies from Sir Joseph Causton. Although the plan is to make them profitable by pushing work their way and by reducing overheads largely through a redundancy programme, already announced, there should also be benefits coming through via the move to Corby, an enterprise zone. At 177p, up 11p (the shares are selling on a p/e of 9.1 (stated earnings) while the yield is a slim 2.8 per cent.

CPS Computer coming to USM

BY ALISON HOGAN

CPS Computer Group is joining the Unlisted Securities Market by way of a reverse takeover of the suspended fully listed company Olympia.

CPS has 13M computer equipment, distributes add-on equipment for the IBM personal computer and has related services, including the distribution of other computer equipment and leasing.

The company has been attracted to this route to the USM by Olympia's cash pile. It currently stands at £1m of which £500,000, after liability and cost deductions, will be available to CPS as additional working capital.

Olympia has issued 20m ordinary shares for the issued share capital of CPS Computer Group, of which 10 per cent has been placed by brokers L. Messel at a price of 67p per share giving a market value of £13.4m.

Dealings will begin on March 13, the day after an eggnog of Olympia where shareholders will be asked to approve the takeover and name change. Former Olympia shareholders will be left with a 9.1 per cent stake in the new company.

The CPS group consists of four subsidiaries, each with a managing director. CPS and Information Systems which sells IBM computer equipment accounted for 60 per cent of group turnover and nearly 30 per cent of profits in the three months to December 31, 1983.

Leasing accounted for around 12 per cent of turnover and 27 per cent of profits in the same period.

The subsidiary which provides data entry services both in the UK and overseas has made a loss last year due to the costs of establishing overseas operations but is expected to contribute profits in the current year.

CPS group is not giving a pre-tax profits forecast for the current year but says that for the three months to December 1983 pre-tax profits were in excess of £250,000. In the last financial year to September it made taxable profits of £736,000 on turnover of £15,384m.

The p/e based on these profits is 19.1 times on an actual tax charge and 37.2 times on a notional full tax charge.

comment

CPS Computer Group has developed a successful business selling and distributing IBM equipment. It is now benefiting from the popularity of the IBM personal computer and the demand for all the add-on equipment available. Such dependence on a single manufacturer might appear worrying, but the directors say the relationship is symbiotic and not likely to be disrupted. Assuming that such a state does not prevail, the market, then CPS is in a high growth

profitable area. It has such blue chip customers as the Bank of England, GEC Computer Services, Mars Group Services and Taylor Woodrow. The task of its management team is to find and get the distribution rights of best new technological products. The directors would like to move up to a full listing next year, when they hope to get an even better price for their shares than the current 67p. Present prospects suggest they probably will.

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Placing on SE values Petranol at £13m

BY ALISON HOGAN

Petranol, an oil and gas exploration and production group, is seeking a listing on the Stock Exchange. Brown Shipley is arranging an offer for sale of 27 per cent of the equity, 2.9m shares, at 125p per share, valuing the company at £13m.

Mr Clive Smith, chairman of Petranol founded the company in 1981 with his fellow directors. Their aim was to find sites where they could drill relatively shallow production wells which contain multi-per zone formations which provides the opportunity to drill to a variety of different formations at relatively low additional cost while developing the principal formation.

Such formations allow a fast payback of eight to 12 months. Mr Smith's philosophy is "oil to tank and cash to bank." That means the company can pace its drilling programme to the revenue coming in from oil sales which average \$30 a barrel.

The first formation can be as shallow as 1,000 ft to 1,400 ft which will take only a week to 10 days to drill.

Petranol's oil and gas operations are located in the Abilene area of West Texas and comprise properties which have both proved and probable reserves, and the potential of substantial additional unproved reserves.

"If we need luck in the calculation that there might be more than the proven reserves, then we reject it," said Mr Smith. The result last year was that of 29 wells drilled, only one was "dry."

Petranol has 47 wells programmed for 1984, fully funded after the £3.5m which will be raised by the offer for sale.

The company has two properties, Windham and Hearn, and will be purchasing a further property Sweetwater for £1.43m with an estimated commercial life of 12 years.

The properties have all been appraised by independent petroleum consultants.

Turnover of Petranol in the year to September was £298,000 and pre-tax profits, £151,000. In the three months to December turnover was £209,000, pre-tax profits £101,000, with development expenditure of £379,000.

Petranol gives a projected cash flow, not a profits forecast, which points to an operating cash surplus of £2.5m in 1984 and £3.95m in 1985.

Applications open on February 22 and dealings are expected to commence on February 29. Brokers are Statham Duff Stoop.

comment

An oil and gas exploration company with a low risk development programme sounds irresistible. Mr Clive Smith, our own "J.R." from the Potteries, has already made a fortune from shallow coal

mining in the UK before deciding to tackle the Texan oil market. He has taken care to choose a quality team and reputable consultants. The directors will not take any of the money being raised and intend to retain their current 73 per cent holding.

But of course exploration remains risky even if efforts are taken to minimise the possible problems. The prospectus includes a number of warnings on possible exchange rate fluctuations, movements in the market price of oil and gas, an unforeseen slowing of the rate of drilling. The cash flow projections are similarly based on several assumptions which might not be fulfilled. These are risk factors which apply to all the sector, so if an investor is determined to invest in a small speculative oil exploration stock, this at least appears less risky than some.

Associated Leisure sees £8m for year

Associated Leisure, the fruit machine, coach holiday and hotels group currently subject to a £85.2m agreed bid from Pleasurama, the casino group, expects pre-tax profits of not less than £7.9m for the year ended January 1, 1984.

This forecast, based on management accounts, was given in the formal offer document sent out yesterday. It compares with the unaudited profit of £5.5m reported for the 42 weeks to January 2, 1983.

The effective tax charge is estimated at about 39 per cent compared with 49 per cent for the previous period.

Pleasurama announced its bid on January 27. It is offering one of its own 5p shares and 420p cash for every five Associated shares.

Associated's directors, who own 4.4 per cent of their company's equity, are recommending acceptance. Its shares fell 1p to 149p yesterday while Pleasurama's fell 2p to 343p.

At Pleasurama's current share price the bid is worth 156.6p per Associated share or 263.2m.

IBS suspended pending refinancing proposals

Immediate Business Systems, the manufacturer of portable billing systems which is traded on the Unlisted Securities Market, yesterday called for the suspension of trading in its shares pending finalisation of refinancing proposals.

The loss-making company, which was launched on the USM early in 1982 as a management buyout from Messer, has recently admitted that it has taken more time and money than expected to reach a point where orders can finance research and development as well as routine running costs.

In the first six months of the current financial year, to September 30 1983, it reported a

pre-tax loss of £1.23m—up from £790,000 in the previous comparable period.

When reporting on these figures just a week ago, the board said the pace of market penetration for its products, and the rate of system installation, had been slower than anticipated. It said the losses had put a strain on financial resources, but at the same time noted that it was encouraged by the conversion of potential into contracted orders.

At the moment, it has no borrowings, but has depended heavily on credit from its suppliers.

Shares were suspended at 58p, down 2p on the day.

SHARE STAKES

A. J. Industrial Products — Mr J. Briggs, director and chairman, has purchased, in the name of his private company Ducky, 100,000 ordinary shares. London Trust — Britannia Arrow Holdings now holds 12.54m ordinary shares (14 per cent). Bescap—Esso Pension Trust's interest has increased to 600,000 shares (5.9 per cent).

Montagu Boston Investment Trust — Imperial Life Assurance Company of Canada is the beneficial owner of 990,000 ordinary shares (9.9 per cent).

Phoenix Properties and Finance — Mr R. Brooks, a director, disposed of 40,430 ordinary shares on October 3. He remains beneficially interested in 423,962 (9.44 per cent).

Trusthouse Forte PLC

Results Year to 31st October 1983

	1983 £m	1982 £m
Trading Receipts	1012.0	915.4
Trading Profit (before depreciation)	134.8	111.8
Profit before Tax	82.1	57.1
Profit after Tax and minority interest	62.0	46.8
Dividend per share	8.25p	7.0p
Earnings per share (net)	15.9p	12.0p

Turnover of over a Billion Pounds

Profit before tax up 44% on last year.

Dividend increased by 18%, plus one for one Scrip Issue.

Balance Sheet remains strong—ratio of net borrowings to shareholders' investment 0.34:1.

Trading in the current year is considerably ahead of last year and we look forward to further progress in our operations and profits.



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DIVIDENDS ANNOUNCED

	Current payment	Date	Corre-Total div. of spon- div. div. year	Total last year
Bogod-Felephah Int	0.1	—	0.1	0.3
Bogod-Felephah A	0.1	—	0.1	0.3
Datastream	1.45	Apr 16	0.2	1.9
Drayton Japan	2	—	3.5	3.5
Drayton Premier	9.5	Apr 5	9	11.5
Ellieff	0.44	Apr 13	0.39	1.39
Ellieff Int	2.3	Apr 13	3.5	2
River and Mercantile	2.9	—	4.4	4.13*
River Plate and Gen	4.9	—	4.6	6.2
Saga Holidays	2.9	Mar 30	2.5	3.7
Trust of Shropshire	0.33	Apr 9	0.06	0.33

Dividends above pence per share net except where otherwise stated. Increased by rights and/or scrip issue. *On capital. †Unquoted stock. ‡For 16 months. ††Includes special payment of 3p.

BASE LENDING RATES

A.B.N. Bank	9%	Heritable & Gen. Trust	9%
Allied Irish Bank	9%	Hill Samuel	9%
Amro Bank	9%	C. Hoare & Co.	9%
Henry Ansbacher	9%	Hongkong & Shanghai	9%
Arbuthnot & Leach	9%	Kingsnorth Trust Ltd.	9%
Armo Trust Ltd.	9%	London & Westminster	9%
Associates Cap. Corp.	9%	Lloyds Bank & Co. Ltd.	9%
Banco de Bilbao	9%	Mallinall Limited	9%
Bank of Ireland	9%	Edward Manson & Co.	10%
Bank of Leumi (UK) plc	9%	Meghraj and Sons Ltd.	9%
Bank of Cyprus	9%	Midland Bank	9%
Bank of Sohar	9%	Morgan Grenfell	9%
Bankque Belge Ltd.	9%	National Bk. of Kuwait	9%
Bankque du Rhone	10%	National Girobank	9%
Barclays Bank	9%	National Westminster	9%
Beneficial Trust Ltd.	10%	R. Raphael & Son	9%
Bremer Holdings Ltd.	9%	P. S. Refson & Co.	9%
Brit Bank of East	9%	Roxburgh Guarantee	9%
CL Bank Nederland	9%	Royal Trust Co. Canada	9%
Canada Perm't Trust	10%	Henry Schroder Wagg	9%
Castle Court Trust Ltd.	9%	Standard Chartered	9%
Cayzer Ltd.	9%	Trade Dev. Bank	9%
Cedar Holdings	9%	TCB	9%
Charterhouse Jephth	9%	Trustee Savings Bank	9%
Choulartons	10%	United Bank of Kuwait	9%
Citibank Savings	10%	United Mizrahi Bank	9%
Clydesdale Bank	9%	Volksbank Ltd.	9%
C. E. Coates	9%	Westpac Banking Corp.	9%
Comm. Bk. of N. East	9%	Whiteaway Laidlaw	9%
Consolidated Credits	9%	Williams & Glyn's	9%
Co-operative Bank	9%	Wintrust Secs. Ltd.	9%
The Cyprus Popular Bk.	9%	Yorkshire Bank	9%
Dunbar & Co. Ltd.	9%	Committee	9%
Duncan Lawrie	9%	7-day deposits 5.5%, 1-month 6%, fixed rate 12 months 7.5%, 24 months 8.5%, 36 months 9.5%	9%
E. T. Trust	9%	7-day deposits on sums of: under £10,000 5%, £10,000 to £50,000 6%, £50,000 and over 7.5%	9%
Exeter Trust Ltd.	10%	Call deposits £1,000 and over 5.5%, 21-day deposits over £1,000 6.5%, Dormant deposits 5.5%	9%
First Nat. Fin. Corp.	11%	Monopoly base rate.	9%
First Nat. Secs. Ltd.	10%		
Robert Fraser	9%		
Grindlay's Bank	9%		
Guinness Mahon	9%		
Hambros Bank	9%		

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Over-the-Counter Market					
1983-84		Gross Yield		P/E	
High	Low	Price	Change	Div. (p.)	Actual
145	120	Ass. Brit. Ind. Ord.	125	—	7.3
158	117	Ass. Brit. Ind. CULS.	138	—	7.5
78	68	Alps Group	73	—	20.6
38	21	Armistice & Group	73	—	20.6
168	141	Carden Hill	818	+ 2	7.2
168	141	Carden Hill	818	+ 2	7.2
168	141	Carden Hill	818	+ 2	7.2
151	121	CCL 11pc Conv. Pref.	147	—	10.5
151	121	CCL 11pc Conv. Pref.	147	—	10.5
246	100	Clinics Group	103	—	17.6
246	100	Clinics Group	103	—	17.6
68	48	Deborah Services	59	+ 2	6.0
105	75	Frank Horsell Pr Ord 87	185	—	8.7
68	36	Frederick Park	71	—	10.7
105	75	Frank Horsell Pr Ord 87	185	—	8.7
68	36	Frederick Park	71	—	10.7
105	75	Frank Horsell Pr Ord 87	185	—	8.7
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68	36	Frederick Park	71	—	10.7
105	75	Frank Horsell Pr Ord 87	185	—	8.7
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Companies
and Markets

MINING NEWS

Ranger uranium mine
lifts first-half profit

BY GEORGE MILLING-STANLEY

WITH A FINAL decision on the future of Australia's uranium mining industry once again postponed, this time until the Labor Party conference in mid-year, the Ranger mine in the country's Northern Territory continues to make big profits.

Ranger is now liable for a full year tax charge, having exhausted all the tax offsets allowed against capital spending last year, but has still managed to increase net profits in the latest half-year.

Energy Resources of Australia (ERA), the company set up two and a half years ago to operate Ranger, has reported a net profit for the six months to the end of December last year of A\$127.42m (£18.3m), on sales of A\$122.57m.

This compares with profits of A\$24.01m from sales of A\$127.50m in the first half of the previous year.

Earnings came out at 6.69 cents per share, up from 5.94 cents, and the interim dividend is maintained at 5 cents.

In the 12 months to June last year, ERA paid a total of 10 cents from profits of A\$57.39m or 14 cents a share.

All this will be welcome news for ERA Industries and Fekko-Wallend, each of which retained a stake of 30.5 per cent in ERA when it was floated to the public.

Interim results are due from both companies in the next week or so, and they can expect to receive something like A\$3.4m each from their ERA holdings, about A\$1m higher than in the first half of the previous year.

After a somewhat troubled start, ERA has recently succeeded in remaining largely uninvolved in the long-running row over uranium production in Australia. The country's ruling Labor Party is committed to ending uranium mining, but its leader, Prime Minister Bob Hawke, has so far managed to impose his own more pragmatic approach.

This approach will allow the existing operations Mary Kathleen Uranium, Nabarlek and Ranger to continue, and the government has also given its

approval for development of the huge Olympic Dam copper-uranium-gold deposit at Roxby Downs in South Australia.

Other developments, notably the big Jabiluka deposit in the Northern Territory, have been ruled out for the time being at least.

The whole question of uranium mining is to come up for yet another review at the party conference in a few months, but in the meantime Ranger has been given authority to enter into two new contracts.

These contracts, however, cover only a total of 2,500 short tons of uranium oxide for sale to two U.S. utilities, and fall far short of ERA's desire to expand Ranger's output from the current level of around 3,000 tonnes a year to 6,000 tonnes, making it the largest single producer in the world.

ERA has said that the mine's production could be doubled for only a small extra cost, but there seems little prospect of permission for this being granted in the near future.

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Suter sells
Prestcold
operations
for £9m

By Ray Maughan

Suter Electrical, the refrigeration and air-conditioning group headed by Mr David Abell, has sold its Prestcold semi-hermetic compressor and condensing unit at Theale, Berkshire, to a joint venture subsidiary of Copeland Corporation of America.

Prentice's Frankfurt and Montreal distribution subsidiaries are included in the sale which will raise £9m for Suter, in addition to £2m conditional sale proceeds arising from the six-acre site adjoining the Theale plant.

The surplus book value is estimated at £500,000, and £4m of the consideration will be used to repay overdrafts and short-term debt.

Suter's refrigeration wholesaling division, Nationwide Refrigeration Supplies, will become the sole franchise holder in the UK and Eire for the full range of refrigeration products. Copeland will have the right to subscribe for 2m Suter shares at 120p per share at any time up to December 31 1985.

The Theale operation lost film last year before interest and tax on sales of film which had increased to sales of £15m, including £5.3m to NRS and £2m to the Canadian and German distribution interests, on which small profits were earned.

The retained NRS business based in Newbury, Berkshire, turned over £15m in 1982 and £17m last year. Its target this year is some £20m of sales.

The balance of the payment from Copeland of Sydney, Ohio, of which £250,000 will be security for a period of three years for the "usual sales warranties".

Following for the additional proceeds of surplus land at Theale, the release of working capital and export guarantee facilities, Suter's cash balances will stand at some £7m after the Copeland deal.

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Reed pays £28m for five U.S. titles

BY CHARLES BATCHELOR

Reed International, paper, packaging and publishing group, is to buy five specialist magazines in the U.S. for \$41m (£28.4m). In an unrelated deal it has also agreed the sale of its UK poster subsidiary, London & Provincial Poster Group, for £25m cash.

Cahners Publishing Company, Reed's Boston-based magazine publishing and exhibitions arm, has agreed to buy Interior Design and Corporate Design from Whitney Communications Corp.

Annual turnover of the two magazines, which are distributed on a controlled circulation basis, is \$12m.

Cahners, also recently bought three other magazines, Chemical Purchasing, Energy Design Update and Food Transportation from another vendor. They have combined annual turnover of \$16m.

Mr Kenneth Morton, Reed's director, said: "Cahners has been going extremely well and we have been putting money into its development with a number of big acquisitions, both of businesses and titles."

Latest annual turnover of Cahners was \$170m, two-thirds of which came from magazines and one third from exhibitions. It publishes about 30 titles, excluding the new acquisitions, and

organises more than 100 trade and consumer exhibitions.

The Whitney assets were put up for sale following the death of the company's owner, Mr Whitney, several months ago. Goldman Sachs, U.S. investment bank, arranged a tender among a number of bidders.

Reed has also reached agreement in principle to sell its wholly-owned subsidiary, London & Provincial, to a newly-formed company ultimately owned by Adams Communications, a privately owned U.S. company with television stations in the mid-West as well as banking and soft drinks interests.

Reed's shares rose 60 yesterday to 432p.

London & Provincial contributed trading profit of £2m and turnover of £17m to Reed's results in the year ended March 31 1983.

London & Provincial has faced a lot of competition from the other media such as breakfast television and the colour supplements," Mr Morton said.

Reed's poster activities have been under pressure for the past year or so from declining volumes and higher site rentals and local authority rates. Reed still has a 9 per cent holding in another quoted poster group More O'Ferrall.

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Two Chevalierque nominees for Sumrie

BY CHARLES BATCHELOR

TWO NOMINEES of Le Chevalierque, Monaco-based investment company which has acquired a large stake in Sumrie Clothes, have been appointed to the Leeds menswear company's board.

Mr Lance Blackstone, representing Mr Harvey Ross, another large shareholder, has also secured the appointment of a representative to the Sumrie board.

Le Chevalierque, which has a 18.6 per cent holding, will be represented by Mr Michael S.

Hepker, who is legal and investment adviser to the Monaco company, and Mr Mervyn Spurr, an economist. Mr Ross, a Leeds bullion coin dealer and property developer, has a 23.96 per cent holding. His representative, Mr Lance Blackstone, is a chartered accountant.

Mr Ronald Sumrie, chairman, said the company had obtained its first information about Le Chevalierque and its intentions at a board meeting yesterday.

Registered in the Isle of Man, Le Chevalierque is headquarter-

ed in Monaco and represents a multitude of private investors.

"We are the first company in which they have taken an active interest and we are their largest acquisition in terms of the percentage

SIEMENS

Information for Siemens shareholders

New orders exceed expectations

Growth of German domestic sales - Capital expenditure up 20%

New orders

During the first quarter of the current financial year, or from 1 October to 31 December 1983, new order receipts of £3,198m remained 7% below those of the comparable period in 1982. At that time, however, orders for the Emsland nuclear power plant, together with the impending expiration of a government capital investment grant, caused an order surge that catapulted growth 25% above the previous year's level. When allowance is made for these special influences affecting last year's first-quarter figure, new orders for the first three months of the current financial year were better than expected.

Excluding power plant business, Siemens recorded a 3% increase of new orders from the German domestic market, while new

orders received from abroad matched last year's volume.

Order results were strongly supported by increased worldwide demand for electronic components and, in particular, for integrated circuits. The Components Group chalked up some 40% more orders than a year ago. The medical engineering and data systems sectors, which last year reported especially high growth rates, achieved a slight rise of orders again this year due to intensified international business.

In £m	1/10/82 to 31/12/82	1/10/83 to 31/12/83	Change
New orders	3,426	3,198	- 7%
Domestic business	1,853	1,700	- 8%
International business	1,573	1,498	- 5%

Sales

First-quarter sales rose 8% worldwide to £2,462m. The increase derived exclusively from German domestic business, which yielded sales of £1,218m or 17% more than for the same period last year. At £1,244m, international sales were roughly on a par with levels a year ago (£1,228m). Above-average

growth rates were again recorded in data systems, medical engineering, and components.

In £m	1/10/82 to 31/12/82	1/10/83 to 31/12/83	Change
Sales	2,269	2,462	+ 8%
Domestic business	1,041	1,218	+17%
International business	1,228	1,244	+ 1%

Orders in hand

During the first quarter, orders in hand rose 5% to £15,348m. Inventory stood at £4,949m, 8% above the volume at the start of the financial year. The increase is very largely associated with ongoing power plant projects.

In £m	30/9/83	31/12/83	Change
Orders in hand	14,566	15,348	+ 5%
Inventory	4,584	4,949	+ 8%

Employees

The decline in the number of Siemens employees has slowed appreciably. In the Federal Republic of Germany and Berlin (West), the Siemens work force decreased 1% to 210,000 people. This was primarily because of the contractually scheduled departure of temporarily employed students. Outside Germany, the total number of employees remained unchanged at 101,000. An average of 312,000 people were employed by Siemens worldwide during the period under review, or 2% fewer than a year ago. In contrast, employment cost went up 3% to £1,076m.

In thousands	30/9/83	31/12/83	Change
Employees	313	311	- 1%
Domestic operations	212	210	- 1%
International operations	101	101	0%

	1/10/82 to 31/12/82	1/10/83 to 31/12/83	Change
Average number of employees in thousands	320	312	- 2%
Employment cost in £m	1,041	1,076	+ 3%

Capital spending and net income

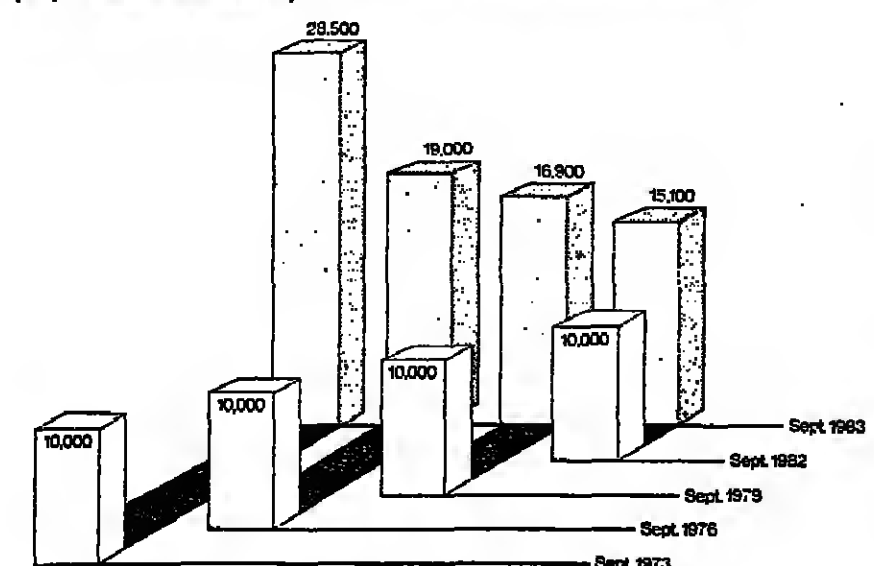
Siemens increased its capital spending a significant 20% during the first quarter, bringing it up to £96m (£80m last year). The emphasis was on the manufacture of new products and the modernization of existing facilities. Net income after taxes rose to £50m (£41m last year). As a result, the net profit margin attained 2.0% as against 1.8% the year before

and was equivalent to the figure for the total financial year ended 30 September 1983.

In £m	1/10/82 to 31/12/82	1/10/83 to 31/12/83	Change
Capital expenditure and investment	80	96	+20%
Net income after taxes	41	50	
In % of sales	1.8	2.0	

All amounts translated at Frankfurt middle rate on 31 December 1983: £1 = DM 3.940.

Appreciation of a DM 10,000 investment in Siemens shares (all proceeds reinvested)



Investors' capital almost tripled in ten years. At the end of September 1973 a DM 10,000 investment purchased 46 Siemens shares. Reinvestment of all proceeds from the sale of subscription rights and all dividend income increased the portfolio to 82 Siemens shares in ten years. By that time the market value of the Siemens portfolio, at a price of DM 347.70 per share, totalled DM 28,500. This represents an average appreciation of 11% per year. Assuming that 30% tax, for example, was paid on the dividends, the return on the capital invested would still come to roughly 10% a year. Yields for the other investment periods shown are in some cases even higher.

Siemens AG
In Great Britain: Siemens Ltd.
Siemens House, Windmill Road, Sunbury-on-Thames
Middlesex, TW16 7HS

UK COMPANY NEWS

Ryan Hotels share placing expands equity base 45%

HAVING JUST returned to profits after three years of losses, Dublin-based Ryan Hotels has raised £860,000 (£1.06m) through a major share issue.

Brokers Fielding Newson-Smith yesterday placed 10.75m ordinary shares at 8p each in a move which increases the issued capital by 45 per cent. Initially, the money raised will be used to reduce the company's borrowing. In the market the shares fell 2p to 8p.

The placing was announced the day after an abortive attempt by one-time director of a few months' standing, Mr W. F. O'Hara, to oust the existing board and put himself back as a director. A director of Ryan said yesterday that Mr O'Hara spoke for around 12 per cent of the votes, but the proposals were defeated at an extraordinary shareholders' meeting on Wednesday.

A month ago, Ryan reported profits of £123,833 for the year to October 31 1983, compared to losses of £138,773 and £182,213 for 1982 and 1981 respectively.

The directors said yesterday that the turnaround had been achieved in the face of very difficult market conditions. Over the past two years redundancy costs of £1488,000 have been incurred, which, together with the trading losses, have significantly reduced the company's capital base.

They now feel that an increase in shareholders' funds "is appropriate."

The statement adds that the recent strengthening of the U.S. dollar against the Irish punt "augurs well for Ireland as a tourist location in 1984. Trading in the first months of the current year has been satisfactory but it is still too early to make any meaningful comment on the outcome for the current year."

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY
Final: Glasgow Stockholders Trust, Hadland Holdings, Ozalid.

FUTURE DATES

Company	Date
Consolidated Gold Fields	Mar 6
Johnson (William)	Feb 25
Michael Com	Mar 1
Sharma (Charles)	Feb 24
Thomson Sec Growth Trst	Feb 22
Wanam's	Feb 24
Finals:	
Aaronson	Feb 21
Adcom International	Feb 21
Bobby (J.)	Mar 20
English and Scottish Investors	Feb 20
TSL Thermal Syndicate	Feb 23
Webb	Feb 22

Alexanders incurs £214,000 loss

FOLLOWING AN increased deficit at half-year, from £57,000 to £91,000, Alexanders Holdings, Glasgow-based Ford main dealer, incurred taxable losses of £214,000 for the year ended September 30 1983. This is compared with profits of £154,000 last year.

Mr J. B. T. Loudon, chairman, says the pre-tax figure was a result of the loss forecast in the Scottish division of Alexanders Contract Rental, together with the loss incurred by Alexanders of Edinburgh.

Steps taken to improve the position at Edinburgh, namely the reduction of overheads and the introduction of a new management structure, took effect prior to the year end and, together with further steps now being taken, "should lead to a substantial improvement in the Edinburgh results for 1984," Mr Loudon states.

During the 12 months to September 30 last the company acquired the Peter Carnegie Ford dealership and in November the new dealership at Cumbernauld was opened.

Earnings per ordinary 10p share were 0.703p (0.314p) and "A" ordinary 1.406p (0.638p) while the interim dividend is unchanged on both the ordinary and "A" ordinary shares at 0.1p and 0.2p respectively.

Improved pre-tax profits of £207,000 against £137,000 have been shown by Elbair for the six months to the end of October 1983. The directors say that the improvement reflected in sales and earnings for the first half has continued and they are hopeful that it will last for the rest of the financial year.

They point out that the sales increase—from £1.24m to £1.51m—applied to both the handbag frame and photo frame business. The net interim dividend has been lifted from 0.385p to 0.44p. In the last full year a total of 1.35p was paid from pre-tax profits of £253,000.

The interim payment has been waived by some directors and their associates on 4.7m shares. Tax for the first half has been estimated at £108,000 before any adjustments.

Pre-tax profits of some £360,000 are forecast by Futura Holdings, for the year ended December 31 1983, compared with £334,848 last year.

The order book of this footwear manufacturer and distributor, is currently similar to this time last year, the directors state. They add that trading conditions continue difficult.

At the midway stage the company had turned round from a £17,561 loss to a £14,443 profit.

Directors of LRC International, a holding company with interests including health care, household and industrial products and photo-processing, are to exercise a scrip dividend option as regards the interim dividend of 1.15p per 10p share for the year to March 31 1984.

At the annual meeting on September 13 1983, a scheme was approved—in respect of any interim dividend declared before the 1984 meeting—to permit shareholders to receive all or part of their entitlement in the form of new ordinary shares.

The joint receivers announce that they have instructed Law Agents to petition the Court for the appointment of a liquidator to Scotcor in receivership and the following subsidiaries, all in receivership: Parker Animal Feeds, J. D. & C. Penman, and Sons (1980), A. C. Penman, and Wille and Paul.

The directors of Wolverhampton Steam Laundry are expected to petition the Court to show itself in the six months to September 24 1983 by producing taxable profits of £1,096, against a loss of £12,552—to continue half.

Measures taken by the board last year are credited with the turn round. On a turnover of £204,541 (£188,990), the profits were a net profit of £7,430 (£9,180). There was again no tax charge.

An increase in 125.5p against 98.7p in net asset value per 25p share was achieved by River and Mercantile Investment Trust for 1983. At the end of last June the figure stood at 123.5p.

Gross revenue totalled £3,688m compared with £3,311m. Tax took £1,171m, against £937,000, for higher earnings per share of £1.17p (£1.06p). The final dividend is lifted from an adjusted 2.5p to 3p giving a higher total of 4.4p (£4.25p).

As at December 31 1983 net asset value per deferred share of the River Plate and General Investment Trust amounted to 211.5p, compared with 203.4p at June 30 last and 167.5p a year earlier.

A final dividend of 4.5p (£4.5p) lifts the total to 8.2p, against 6p (£6.00p) and tax took £133,000 (£148,000). Earnings per 25p deferred share were 6.32p (£6.9p).

The single, final dividend is 0.3333p net, compared with 0.0425p. Last year's total payment of 0.3125p included an interim stock dividend, representing one share in former subsidiary Tops Estates for every 40 shares in the company.

As forecast, the dividend at Drayton Japan Trust is cut from 8.5p to 3p net per share with a final payment of 2p for 1983 — last year's included a 3p special

higher total of 9p (£2.25p). Dr A. K. Cheetham has been appointed a director.

Net asset value per 25p share of Drayton Premier Investment Trust rose by 102.75p to 437p for the 1983 year.

Revenue after all charges, including tax of £2,096m (£2,44m), was £3,466m compared with £3,544m. The final dividend is lifted from 8p to 8.5p making a higher total of 11.5p (£1.1p).

The net asset value of Trust of Property Shares doubled in 1983 to reach 21.98p at December 31, compared with 10.45p the previous year.

Franklin's investment income was £20,827 (£23,508) and other income produced £5,674 (£17,293), giving total revenue of £26,501 (£40,801). Expenses, including interest, took £7,455 (£9,066), which left revenue before tax of £23,116 (£31,813). The tax charge was £8,042 (£11,350).

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SECTION III - INTERNATIONAL MARKETS

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WALL STREET

Numerous reasons for caution

WEAK AND unsettled trading persisted in Wall Street stocks yesterday when successive attempts to rally from a dull start quickly brought out fresh sellers. The market took a sudden lurch downwards and although prices quickly rallied there was little sign of any genuine recovery in confidence, writes Terry Byland in New York.

At its lowest point the Dow Jones industrial average was more than 10 points down at 1,148.35. But by the close, the fall had been cut to a net 3.77, putting the Dow at 1,154.94.

Favourable news on the progress of the U.S. economy initially bolstered confidence in the stock market but raised once again the spectre of a tightening of credit policies by the Federal Reserve in order to prevent economic overheating.

Additional reason for caution was provided by the announcement, late in the market's day, of the first money supply figures since the Fed's re-introduction of Contingent Reserve Requirements (CRR). Widely ranging forecasts - mostly predicting a substantial rise - circulated round the markets.

The announcements of gains in personal income, industry operating levels and housing starts in January revived fears of a Fed tightening, and bond prices opened lower. Later, prices rallied to stand close to overnight levels.

One of the few bright spots in the stock market was AT&T, trading for the first time solely in its new form, the old stock having finally quit the stage after 84 years, as stockholders receive their new operating company certificates in the mail.

At 18 1/8, AT&T headed the active stocks list and gained 5 1/8.

IBM also managed a minor gain, adding 5/8 to \$109 1/2 after reports that it plans to introduce a portable computer, priced at around \$3,000.

Elsewhere, leading stocks were mostly easier as buyers failed to respond to the early morning dip in prices.

American Express, 5 1/2 down at \$28 1/2, was above the worst after a fresh bout of weakness.

Gulf Corporation fell 1 1/4 to \$54 as investors waited for a move from Atlantic Richfield and/or Mr Boone Pickens of Mesa Petroleum.

Trading results from Hewlett Packard left the shares 1 1/4 down at \$36 1/2. Also among the high technology issues, Automated Data gained 3/4 to \$33 1/2. Unocal, one of the recently favoured oil stocks on the oil sector, gave up 5/8 to \$36 1/2 as investors turned their attentions elsewhere.

Other dull features included International Paper, 3/4 down at \$51 1/2. Johnson & Johnson, the pharmaceuticals group, slipped back 5/8 to \$36 1/2 in response to its results.

The outlook for credit markets re-

mained unsettled, with some technical analysts warning that the market was repeatedly challenging significant levels on the charts.

The key log bond has its own danger point of 100 which was touched briefly on Tuesday and threatened again yesterday morning when early quotations saw the bond at 100 1/2. Later the 2013 issue bounced up to trade close to the overnight level of 100 1/2.

Some analysts still fear a tightening of Federal Reserve policies, especially if the economy shows further signs of rapid growth. Mr Donald Regan's somewhat grudging comment that he was "satisfied with monetary policy" was read as suggesting that no pressures will be put on the Fed to ease credit.

However, some other factors were favourable. An offer of \$150m in Philadelphia Electric 14 1/2 per cent debentures sold quickly at par, and First Boston priced an offering of preferred stock of First Chicago at an initial yield of 10.20 per cent. Both seemed to confirm present rates in the credit markets.

At the short end, rates also shuffled nervously before the Federal Reserve helped confidence by buying \$350m bills on customer account - timed for after the auction of \$8.25bn in one-year bills.

Three-month treasury bills were unchanged at a 9.06 per cent discount and the six-month two basis points higher at 9.18 per cent.

TOKYO

Margin debt precludes resurgence

TRADING in Tokyo continued to be lacklustre throughout the session yesterday, reflecting the poor overnight performance on Wall Street, writes Shigeo Nishiwaki of Jiji Press.

The absence of any strong incentive under the pressure of the high margin debt revived selective buying interest, particularly in high-priced and speculative issues.

The Nikkei-Dow average moved within a narrow range during the session, improving by a marginal 4.99 to 9,897.15 on a light volume of 236.43m shares, up slightly from Wednesday's 206.54m.

Some investors felt the market might have reached a trough, with the index over 300 points off its all-time high of 10,206 on January 28. But conditions were not ripe for any increase in buying as the margin debt stood at an all-time high, and foreign buying was patchy.

In this thin market, high-priced stocks returned to popularity, with Fumac soaring ¥400 to ¥1,020, KDD ¥510 to ¥1,840 and Kyocera ¥190 to ¥9,950. Investors sought these issues for future profits.

Nissan Chemical proved particularly enticing to investors, turnover leader for the third consecutive day and adding ¥19 to ¥345 in heavy trading. Investors talked of growing demand for magnetic ferrous oxide for videotape recorders, but in fact the issue was favoured by speculators as margin sales had come close to purchases.

Backing away from stocks eligible for margin trading because of the high margin debt, some investors continued to buy cash stocks - those not eligible for margin trading. Kanto Denka Kogyo rose ¥100 to ¥1,750, Gun-ei Chemical ¥30 to ¥1,450 and Katakura Industries ¥20 to ¥701.

Toshiba remained unchanged at ¥388, with foreign selling roughly balanced by trust funds' and industrial corporations' purchases.

Blue-chip issues remained out of favour, with Matsushita Electric Industrial firming ¥10 to ¥1,800 and Fuji Photo Film ¥10 to ¥2,120.

The bond market turned higher as a leading securities firm increased bond purchases on the yen's rise against the U.S. dollar. The yield on the benchmark 7.5 per cent long-term government bond due January 1993 slipped to 7.375 per cent from Wednesday's 7.385 per cent.

The market was also bolstered by speculation that the auction of four-year bonds worth ¥135bn might bring the yield close to the coupon rate of 6.4 per cent.

AUSTRALIA

REPORTS of an oil flow from the Esso-BHP Warrar Three well in the Bass Strait took Sydney swiftly higher, reversing the dull trend of morning trading when selling orders were being absorbed.

At the close, the All Ordinaries index was up 3.7 at 746.2 and the All Resources 4.8 ahead at 557.5.

BHP rose 10 cents at A\$13.60 and CSR 4 cents to A\$3.89.

SOUTH AFRICA

FAIRLY strong demand, mainly from foreign buyers, took gold shares higher in Johannesburg, in line with a slightly firmer world bullion price.

Among heavyweight producers, Driefontein added R2.25 to R43.50. Platminums also attracted fair demand with Impala 40 cents ahead at R17.50 and Rustenburg 30 cents at R14.10.

Mining financials and other minings followed the trend, with Anglo-American adding 10 cents to R22.20, while de Beers was unchanged at R10.10. Industrials were trendless.

EUROPE

Dollar adds further impetus

THE CONTINUED slide of the dollar against European currencies provided additional impetus to several of the larger markets yesterday.

Leading equities and bonds in Frankfurt were inspired by the weaker dollar and widespread gains ensued, with the Commerzbank midsession index rising 12.9 to 1,052.7.

Allianz's DM 18 rise to DM 815 stemmed more, though, from an unchanged DM 10 dividend declaration and the possibility that the insurer is still actively interested in a major U.S. or UK acquisition.

Motors were active again, with Daimler reporting satisfactory 1983 earnings on 2.5 per cent higher group turnover, DM 3.10 higher at DM 587, and BMW DM 7 improved at DM 429.

Philip Holzmann, in constructions, consolidated its recent gains with an additional DM 9.70 rise to DM 449.70 while Hochtief continued to oscillate, with a DM 12 improvement to DM 492. Stores were mixed.

The strength of the D-Mark and a supply shortage encouraged bonds, in some cases 1/2 point higher at the close. The Bundesbank sold DM 44.2m in paper to steady the market.

Investors in Amsterdam appeared disappointed with the overnight slip on Wall Street and early trading was quiet. Interest later focused on insurance issues and selected international bonds, with the ANP-CBS index, calculated at mid-session, 0.2 off at 159.5.

Nat-Net, poised for a takeover of Amfas, added FI 3.40 to FI 219.70, while KLM surrendered some of the previous session's gains with a FI 2.50 loss to FI 177.50.

Hooqovens trimmed its losses for the day to 70 cents at FI 49.20 ex rights. The rights, which opened at FI 1.55, closed at almost FI 2.

The bond market overshadowed equities with the success of the World Bank issues encouraging investors into other paper.

The foreign trade surplus, which rose to FI 800m in December from a FI 300m surplus a year earlier, was revealed after trading and is expected to inject a measure of strength to the market today.

Factors to affect a broadly lower Paris were Wall Street, the rise in the call money rate by 1/4 percentage point to 13 1/4 per cent, and higher unemployment - 0.8 per cent up in January.

Matra's 30 per cent increase in consolidated profits was considered a disappointing performance by many investors. Shares in Matra came under heavy selling pressure and the stock was not quoted yesterday because of an order imbalance. It closed at FFr 1,922 on Wednesday.

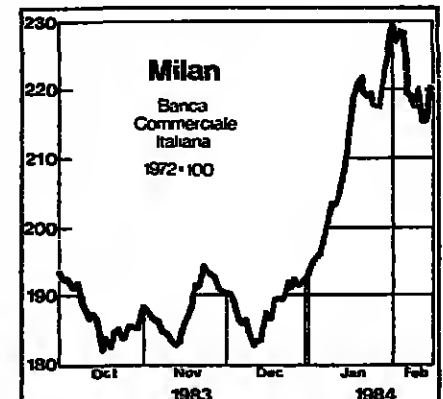
Lafarge Coppée gained FFr 10.50 to FFr 325.50 following results, although

Bouygues' surge in 1983 turnover was revealed after trading closed. Bouygues finished FFr 8 off at FFr 674.

Thin quiet trading, which largely ignored Wall Street's overnight performance, emerged in Zurich. Blue chips' advances were limited to SwFr 20 on average although Dow Banking was actively traded and finished with a SwFr 70 gain to SwFr 1,110. Some chemical stocks were in demand with Ciba-Geigy SwFr 30 ahead at SwFr 2,270.

The further fall in the dollar exchange rate failed to help Swissair, which closed unchanged at SwFr 1,010. Banks were mixed with Bank Leu edging SwFr 15 higher to SwFr 4,475, while Union Bank at SwFr 3,520 and Credit Suisse at SwFr 2,335 were marked down SwFr 20 and SwFr 10 respectively. Insurers were largely unchanged.

Bonds were steady with dual currency issues helped by the weaker dollar.



Active trading in Milan saw the Banca Commerciale index close 5.03 higher at 220.64 in the face of the cuts in the discount and Lombard rates by 1 percentage point each.

Some caution was evident partly due to the end of the February trading month, the disappointing industrial output figures released on Wednesday and the strikes following the announcement of the Government's incomes policy.

Fiat finished L125 higher at L4,180, although Italcementi was subjected to some profit-taking with a L390 drop to L47,010. Olivetti gained L75 to L4,235.

A small retreat took place in Brussels with market leader Petrofina the only active stock, BFr 20 up at BFr 6,810 following a large block trade involving overseas buyers.

Mixed chemicals had UCB BFr 115 lower at BFr 4,760 while Solvay managed a BFr 5 move ahead to BFr 3,745. Following its employee wage accord, Fabrique Nationale improved BFr 20 to BFr 2,220.

Utilities, the sector most sensitive to interest rates, closed mixed following the 1 percentage point rise in the discount rate, which was less than some operators expected but proved sufficient to dissuade many new buyers. The Stock Exchange index fell 0.11 to 141.24.

Foods, properties and chemicals in Madrid staged a repeat performance of the previous session's strong gains. Most sectors saw price rises although trading was largely dull.

Electricals and banks also consolidated recent rises while in communications, leader Telefonica rose 0.5 per cent.

Advances outnumbered declines by a margin of three to one, although almost half of the shares traded closed unchanged.

LONDON

Struggle to maintain the upturn

INTERMITTENT bouts of activity flared in some secondary issues in London yesterday, but leading equities struggled to maintain a modest extension of this week's upturn.

At the close, the FT Industrial Ordinary share index was 1.3 higher at 817.9, while the FTSE 100 share index added 2 to 1,035.0.

The recent star performer, TI, succumbed to profit-taking, shedding 4p to 249p, after a low of 242p.

Another engineering major, Metal Box, was rejuvenated by bullish reports following a broker's visit to the company, adding 14p to 344p.

Gilt opened marginally down but after the latest Public Sector Borrowing Requirement figures had been judged satisfactory, they edged firmer to close around 1/4 higher on the day.

Details, Page 33. Share information service, Pages 36-37

HONG KONG

DISAPPOINTMENT at the outcome of this week's Government land auction contributed to a sharply lower opening in Hong Kong, although a later recovery enabled shares to close mixed.

The Hang Seng index, which fell more than 22 points in the first hour, ended 8.50 down on the day at 1,084.08.

Property issues were generally lower but other leading shares showed only small movements. One feature was Hongkong Telephone, which announced sharply higher profits for 1983 and added 25 cents to HK\$45.25.

But the company said that shareholders who had decided to accept the Cable and Wireless offer for their holdings would not be entitled to the final 1983 dividend or a three-for-20 bonus issue.

SINGAPORE

ATTENTION switched from blue chips to small and medium sized issues in Singapore on a day which saw selective buying and profit-taking in active trading.

An expected broad advance, coinciding with the psychologically important final day of lunar new year festivities, failed to materialise and shares ended mixed. The Straits Times index was just 0.92 lower at 1,051.39.

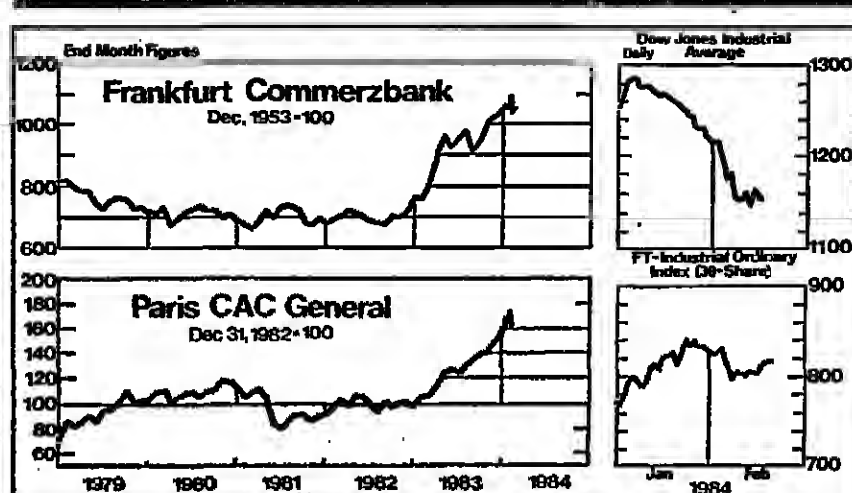
General Corporation was again the most actively traded issue, adding a further 6 cents to S\$3.16.

CANADA

SHARES turned easier in Toronto after a mixed start, as a strong performance by golds and a less significant rise by metals was more than offset by declines in pipelines, financials and utilities.

The easier trend was mirrored in Montreal, where all of the major stock groupings were marginally lower.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Feb 16	Previous	Year ago
NEW YORK			
DJ Industrials	1154.94	1158.77	1087.43
DJ Transport	509.06	506.75	478.16
DJ Utilities	125.24	125.63	124.08
S&P Composite	156.13	156.25	147.43

	Feb 16	Previous	Year ago
LONDON			
FT Ind Ord	817.90	816.60	650.30
FT-A All-share	480.92	489.33	406.37
FT-A 500	525.39	523.12	441.23
FT-A Ind	480.50	478.70	414.23
FT Gold mines	618.50	606.00	721.90
FT Govt secs	82.89	82.77	79.58

	Feb 16	Previous	Year ago
TOKYO			
Nikkei-Dow	9897.15	9882.18	8145.41
Tokyo SE	765.72	764.51	580.23

	Feb 16	Previous	Year ago
AUSTRALIA			
All Ord	746.20	742.50	515.20
Metals & Mins.	519.70	512.20	464.10

	Feb 16	Previous	Year ago
AUSTRIA			
Credit Aktien	55.56	55.26	48.71

	Feb 16	Previous	Year ago
BELGIUM			
Belgian SE	141.24	141.35	105.17

	Feb 16	Previous	Year ago
CANADA			
Toronto Composite	2387.00	2391.20	2147.50
Montreal Industrials	417.52	419.56	368.16
Combined	402.44	403.41	355.96

	Feb 16	Previous	Year ago
DENMARK			
Copenhagen SE	213.22	211.49	107.57

	Feb 16	Previous	Year ago
FRANCE			
CAC Gen	161.80	164.20	105.90
Ind. Tendance	103.50	105.50	108.70

	Feb 16	Previous	Year ago
WEST GERMANY			
FAZ-Aktien	358.72	352.32	269.38
Commerzbank	1052.70	1039.80	778.40

	Feb 16	Previous	Year ago
HONG KONG			
Hang Seng	1094.06	1090.89	944.32

	Feb 16	Previous	Year ago
ITALY			
Banca Comm.	220.54	215.81	205.95

	Feb 16	Previous	Year ago
NETHERLANDS			
ANP-CBS Gen	159.50	159.70	112.60
ANP-CBS Ind	131.30	131.30	98.80

	Feb 16	Previous	Year ago
NORWAY			
Oslo SE	235.84	237.65	149.86

	Feb 16	Previous	Year ago
SINGAPORE			
Straits Times	1051.39	1052.31	911.29

	Feb 16	Previous	Year ago
SOUTH AFRICA			
Gold	925.00	907.80	1012.80
Industrials	968.40	968.30	846.20

	Feb 16	Previous	Year ago
SPAIN			
Madrid SE	115.69	114.60	102.40

	Feb 16	Previous	Year ago
SWEDEN			
J & P	1553.47	1571.58	1173.25

	Feb 16	Previous	Year ago
SWITZERLAND			
Swiss Bank Ind	368.60	367.60	307.50

	Feb 16	Previous	Year ago
WORLD			
Capital Int'l	179.60	178.80	162.60

GOLD (per ounce)

	Feb 16	Previous	Year ago
London	\$394.00	\$394.75	\$364.75
Frankfurt	\$394.00	\$393.125	\$363.125
Zurich	\$394.50	\$393.25	\$363.25
Paris (filing)	\$393.87	\$392.98	\$362.98
Luxembourg (filing)	\$393.55	\$393.25	\$363.25
New York (Feb)	\$394.40	\$393.40	\$363.40

* Latest available figure

CURRENCIES

	Feb 16	Previous	Feb 16	Previous
U.S. DOLLAR				
(London)				
\$	1.4450	1.4450	1.4425	1.4425
DM	2.6760	2.6730	3.87	3.8575
FFr	232.85	233.25	336.75	336.75
Yen	8.24	8.23	11.9050	11.97
SwFr	2.195	2.20	3.1750	3.1750
Guilder	3.02	3.02	4.3650	4.3575
Lira	1657.50	1654.00	2394.50	2393.50
BFr	54.79	54.68	79.15	79.90
CS	1.24825	1.24475	1.8010	1.7955

INTEREST RATES

Euro-currencies (3-month offered rate)	Feb 16	Prev
£	9 7/8	9 7/8
SwFr	3 1/8	3 1/8
DM	5 3/8	5 1/8
FFr	15 1/2	15 1/2
FT London Interbank fixing (offered rate)		
3-month U.S.\$	10	10 1/8
6-month U.S.\$	10 1/2	10 7/8
U.S. Fed Funds	9%	9%
U.S. 3-month CDs	9.55	9.55
U.S. 3-month T-bills	9.08	9.05

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Continued on Page 31

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Continued on Page 32

Continued on Page 32

Equ

and

FT-
Form 100-10
2000

Clark 5	du	148	20 $\frac{1}{2}$	23	20 $\frac{1}{2}$
ClayMo		36	11 $\frac{1}{4}$	11 $\frac{1}{2}$	11 $\frac{1}{2}$
Cobez 9		23	13	12 $\frac{5}{8}$	13
Coeur	t	184	20 $\frac{1}{2}$	20	20

1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

Compt. 5	39	13 ₂	13	13 ₂
Compt. 5	160	7 ₂	5 ₂	7
Compt. 5	88	6 ₂	5 ₂	8 ₂

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FBI

every Monday in the Financial Times

every Monday in the Financial Times

هكذا عن القليل

FT UNIT TRUST INFORMATION SERVICE

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6	-0.4	-	Pen PUrop In	05.4	101.8	...	-	Taiwan (R.O.C.) Fund
7	Monday.		Do Dtd	90.6	101.8	...	-	de Vickers de Costa Ltd. King William

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+ 0.0003	7.95	Bda IECF	50.86	10.07	36 Services Sq. W1X SDA	91.45
+ 0.0027	7.95	Bda EEFI	59.76	9.97nd	MailhallMyFo	8.65 9.18 Qtr
+ 0.0036	7.95	Prices at Feb 10. Next dealing Feb 17.						

[illegible]

...the fact that the *in vitro* and *in vivo* results are in good agreement, and that the *in vivo* results are in good agreement with the results of the *in vitro* studies.

اعني التصل

INSURANCE & OVERSEAS MANAGED FUNDS

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OFFSHORE AND OVERSEAS

[illegible]

February 1984

INTERNATIONAL CAPITAL MARKETS

EUROBONDS

Gulf and Western launches \$100m bond

BY MARY ANN SIEGHART IN LONDON

GULF and Western Industries, the U.S. diversified industrial company, is raising \$100m through a five-year Eurodollar bond led by Kidder Peabody and UBS Securities.

The bond is non-callable and pays a 12½ per cent coupon at par. The proceeds will be used for refinancing. The company's two outstanding Eurodollar issues both mature this year.

Despite the company's credit rating - which is only BBB-plus and the lack of activity in the fixed-rate dollar market, the bond was reasonably well received. It traded at a discount of about 1½ per cent, just outside its 1½ per cent selling concession.

The only other new dollar issue of the day came from OKOBank, Finland's central co-operative bank. It is offering \$50m worth of eight-year floating rate notes, paying 4 per

cent over the mean of the six-month London interbank bid and offered rates at par.

The issue, led by Manufacturers Hanover with London end Continental Bankers, has the novel feature of heving its coupon set four times a year rather than twice. That might be attractive if investors ex-

However, the FRN market has \$2bn worth of issues from last week to absorb and the bond was given only a lukewarm reception. The

small size of issue and issuer were said to count against it and it traded at a discount of around its 0.48 per cent total fees.

In West Germany, Sterling Drug has issued its DM 250m, 10-year bond with a 7½ per cent coupon at par. Led by Commerzbank, the bond traded at a discount of around 1½ points, within its 1½ points selling concession.

Meanwhile, Mitsubishi Heavy Industry's bond, which has been increased from DM 200m to DM 300m, has been given a 3½ per cent coupon at par by lead manager Deutsche Bank. Despite the increase, the bond was still trading yesterday at a small premium to its issue price.

The European Investment Bank has also had a favourable response to its Ecu issue, allowing it to be increased from Ecu 75m to ECU 100m.

British Land's minimum SwFr 100m bond, led by Soditic and Banque Gutzwiller, Kurz, Bungen-
er, has been given a coupon of 8%
per cent as indicated, but with a
price of 99½. The life, however, has
been extended from 10 to 12 years.

Nippon Oil is raising SwFr 200m
through a private placement and a
public issue, both for SwFr 100m

and priced at par. The eight-year public bond has an indicated 2½ per cent coupon, and the five-year private placement, 2 per cent. Credit Suisse is leading the deal.

A weaker U.S. dollar pushed prices up by 1/2 point in both Swiss and German secondary markets. The dollar sector, though, closed unchanged in quiet trading.

● After the exodus of Mr. David Craig's team from Morgan Guaranty in London, two new appointments have been made. Mr. Robert Gray will replace Mr. Len Gayler as head of new issues and syndications and Mr. Jim Fuschetti will return from New York to fill Mr. Gray's former position as head of loan syndications. Mr. Willy Breitschmid, meanwhile, has resigned as head trader at Ross and Partners "in order to pursue his own personal business interests."

Unit trust sales hit record

By Clive Wolman in London

SALES of unit trusts in Britain reached a new record in January, pushing up the value of funds under management to £125.19bn (\$17.8bn), also a record.

Figures published yesterday by the Unit Trust Association show that total sales of unit trusts in January were £327m, compared with the previous record figure of £260.6m in November. After allowing for repurchases, the net new investment was a record £210.3m.

Three new funds were launched in January, a gilt fund, a fund investing in low risk and highly liquid securities and a Japanese smaller companies fund, boosting the total number of unit trusts authorised in the UK to 633.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for February 16.

[illegible][illegible]

SWISS FRANC									
STRAIGHTS									
	Issued	Settled	Offer	Change on	Ytd				
				week					
Domestic 8 1/2% 81	100	182	183 1/4	+1/4	+1/4	5.82			
Domestic 8 1/4% 81	100	182	183 1/4	+1/4	+1/4	5.83			
E.C. 0% 81	100	101 1/4	101 1/4	+1/4	+1/4	8.00			
European 8 1/4% 81	100	182 1/4	183 1/4	+1/4	+1/4	5.82			
European 8 1/2% 83	100	182 1/4	183 1/4	+1/4	+1/4	5.82			
Int'l Fund Fin 8 1/4% 81	40	101	181 1/4	+1/4	+1/4	8.00			
Int'l Indus 8 1/4% 83	60	102	182 1/4	+1/4	+1/4	8.00			
Int'l Indus 8 1/2% 83	60	102	182 1/4	+1/4	+1/4	8.00			
Japan Dev 8 1/2% 81	100	181 1/4	182 1/4	+1/4	+1/4	5.61			
Japan Dev 8 1/4% 81	100	101 1/4	101 1/4	+1/4	+1/4	5.61			
Japan Dev 8 1/2% 83	100	182 1/4	183 1/4	+1/4	+1/4	5.61			
Manitoba Prov 5 1/4% 83	100	101 1/4	101 1/4	+1/4	+1/4	5.28			
Mass Electric Util 5 1/2% 83	35	102 1/4	102 1/4	+1/4	+1/4	5.80			
Mass Electric Util 5 1/4% 83	100	102 1/4	102 1/4	+1/4	+1/4	5.63			
Miyagi 8 1/4% 81	80	181 1/4	182 1/4	+1/4	+1/4	5.83			
Nor. Brunswick 5 1/4% 83	100	102 1/4	102 1/4	+1/4	+1/4	5.42			
Nor. Brunswick 5 1/2% 81	100	101 1/4	101 1/4	+1/4	+1/4	5.42			
Norwich Steel 5 1/4% 81	100	101 1/4	102 1/4	+1/4	+1/4	5.82			
Osaka Port 8 1/4% 81	100	183 1/4	183 1/4	+1/4	+1/4	5.82			
Osaka Port 8 1/2% 83	100	182 1/4	183 1/4	+1/4	+1/4	5.82			
Shikoku Electric Power 8 1/4	100	182 1/4	182 1/4	+1/4	+1/4	8.00			
Shikoku Electric Power 8 1/2	100	182 1/4	182 1/4	+1/4	+1/4	8.00			
Southern Home 8 1/4% 81	100	182 1/4	182 1/4	+1/4	+1/4	5.29			
Tokyo Electric Power 5 1/4 81	100	182 1/4	182 1/4	+1/4	+1/4	5.29			
Tokyo Corp 8 1/4% 83	100	181	181 1/4	+1/4	+1/4	5.96			

DRIFT (LONDON)									
	Settled	Offer	Change on	Ytd					
			week						
Domestic 8 1/2% 81	100	182	183 1/4	+1/4	+1/4	5.82			
Domestic 8 1/4% 81	100	182	183 1/4	+1/4	+1/4	5.83			
E.C. 0% 81	100	101 1/4	101 1/4	+1/4	+1/4	8.00			
European 8 1/4% 81	100	182 1/4	183 1/4	+1/4	+1/4	5.82			
European 8 1/2% 83	100	182 1/4	183 1/4	+1/4	+1/4	5.82			
Int'l Fund Fin 8 1/4% 81	40	101	181 1/4	+1/4	+1/4	8.00			
Int'l Indus 8 1/4% 83	60	102	182 1/4	+1/4	+1/4	8.00			
Int'l Indus 8 1/2% 83	60	102	182 1/4	+1/4	+1/4	8.00			
Japan Dev 8 1/2% 81	100	181 1/4	182 1/4	+1/4	+1/4	5.61			
Japan Dev 8 1/4% 81	100	101 1/4	101 1/4	+1/4	+1/4	5.61			
Japan Dev 8 1/2% 83	100	182 1/4	183 1/4	+1/4	+1/4	5.61			
Manitoba Prov 5 1/4% 83	100	101 1/4	101 1/4	+1/4	+1/4	5.28			
Mass Electric Util 5 1/2% 83	35	102 1/4	102 1/4	+1/4	+1/4	5.80			
Mass Electric Util 5 1/4% 83	100	102 1/4	102 1/4	+1/4	+1/4	5.63			
Miyagi 8 1/4% 81	80	181 1/4	182 1/4	+1/4	+1/4	5.83			
Nor. Brunswick 5 1/4% 83	100	102 1/4	102 1/4	+1/4	+1/4	5.42			
Nor. Brunswick 5 1/2% 81	100	101 1/4	101 1/4	+1/4	+1/4	5.42			
Norwich Steel 5 1/4% 81	100	101 1/4	102 1/4	+1/4	+1/4	5.82			
Osaka Port 8 1/4% 81	100	183 1/4	183 1/4	+1/4	+1/4	5.82			
Osaka Port 8 1/2% 83	100	182 1/4	183 1/4	+1/4	+1/4	5.82			
Shikoku Electric Power 8 1/4	100	182 1/4	182 1/4	+1/4	+1/4	8.00			
Shikoku Electric Power 8 1/2	100	182 1/4	182 1/4	+1/4	+1/4	8.00			
Southern Home 8 1/4% 81	100	182 1/4	182 1/4	+1/4	+1/4	5.29			
Tokyo Electric Power 5 1/4 81	100	182 1/4	182 1/4	+1/4	+1/4	5.29			
Tokyo Corp 8 1/4% 83	100	181	181 1/4	+1/4	+1/4	5.96			

Not Information available previous days' prices.

Only one market noted accepted a price.

Slovak Republic: The yield to redemption of the mid-price, the amount listed is in millions of crown units except for Yen bonds which are in millions.

Change on week - Change per price a week earlier.

Financing Plans: Demobilized in dollars unless otherwise indicated. Govt shown is minimum. C. dem - Date next coupon becomes effective. Spread - Margin (Basis) in cents. C. conv - Current coupon. C. yield - Current yield.

Convertible bonds: Demobilized in dollars unless otherwise indicated. Govt shown is minimum. C. dem - Date next coupon becomes effective. Spread - Margin (Basis) in cents. C. conv - Current coupon. C. yield - Current yield.

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Warrant rates of interest: Dem

	Issued	Bid	Offer	Change on day week	Yield
YEN STRAIGHT'S Australia 8 1/2 02	15	107 1/4	108 1/4	8 +0 1/2	7.33

New directors at Getty Oil

MR. ELVIS MASON, who resigned as chairman of InterFarms, the Texas banking group which lost \$172m in 1983, has been appointed to the board of Getty Oil. He is one of four outside directors who have been appointed to the Getty board following the Texaco takeover. He is joined by retired U.S. Navy Admiral, Thomas Moorer, Mr Robert Roosa of Brown Brothers Harriman, and Mr Thomas Vanderslice, a president of Texaco, and Mr William Weitzel, the group's general counsel, to the board. Six Getty directors remain on the board.

OVER-THE-COUNTER – Nasdaq National Market

Stock							Sales (thous)							High Low Last Chng							Stock							Sales (thous)							High Low Last Chng						
Continued from Page 32																																									
Telcel	216	28	10	85	94	-	Utray	066	178	134	134	134	+4	VLSI	3	55.3	11	11	11	11	Wdgo	30	212	181	181	181	-	Sales	212	181	181	181	-								
Telcel	216	28	10	85	94	-	Utray	066	178	134	134	134	+4	VLSI	3	55.3	11	11	11	11	Wdgo	30	212	181	181	181	-	Sales	212	181	181	181	-								
Telcel	216	28	10	85	94	-	Utray	066	178	134	134	134	+4	VLSI	3	55.3	11	11	11	11	Wdgo	30	212	181	181	181	-	Sales	212	181	181	181	-								
Telcel	216	28	10	85	94	-	Utray	066	178	134	134	134	+4	VLSI	3	55.3	11	11	11	11	Wdgo	30	212	181	181	181	-	Sales	212	181	181	181	-								
Telcel	216	28	10	85	94	-	Utray	066	178	134	134	134	+4	VLSI	3	55.3	11	11	11	11	Wdgo	30	212	181	181	181	-	Sales	212	181	181	181	-								
Telcel	216	28	10	85	94	-	Utray	066	178	134	134	134	+4	VLSI	3	55.3	11	11	11	11	Wdgo	30	212	181	181	181	-	Sales	212	181	181	181	-								
Telcel	216	28	10	85	94	-	Utray	066	178	134	134	134	+4	VLSI	3	55.3	11	11	11	11	Wdgo	30	212	181	181	181	-	Sales	212	181	181	181	-								
Telcel	216	28	10	85	94	-	Utray	066	178	134	134	134	+4	VLSI	3	55.3	11	11	11	11	Wdgo	30	212	181	181	181	-	Sales	212	181	181	181	-								
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